

CASE 5798: EXXON CORPORATION FOR
APPROVAL OF THE PRISOR UNIT AGREEMENT,
SIERRA AND DONA ANA COUNTIES, NEW MEXICO

CASE NO.

5798

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 10, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Exxon Corporation for a) CASE
unit agreement, Sierra and Dona Ana) 5798
Counties, New Mexico.)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: Clarence E. Hinkle, Esq.
Conrad Coffield, Esq.
HINKLE, BONDURANT, COX & EATON
Attorneys at Law
Hinkle Building
Roswell, New Mexico

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I N D E X

Page

LEWIS D. GRIFFIN

Direct by Mr. Hinkle

3

DWIGHT JOHNSON

Direct Examination by Mr. Hinkle

8

EXHIBIT INDEX

Offered

Admitted

Exxon's Exhibit One, Index Map

4

12

Exxon's Exhibit Two, Land Plat

5

12

Exxon's Exhibit Three, Structure Map

6

12

Exxon's Exhibit Four, Approval

7

12

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Page 3

1 MR. STAMETS: At this time we will call Case Number
2 5798.

3 MS. TESCHENDORF: Case 5798, application of Exxon
4 Corporation for a unit agreement, Sierra and Dona Ana Counties,
5 New Mexico.

6 MR. HINKLE: Clarence Hinkle and Conrad Coffield of
7 Hinkle, Bondurant, Cox and Eaton, Roswell, appearing on behalf
8 of Exxon. We have two witnesses we would like to have sworn
9 and we have five exhibits here.

10 MR. STAMETS: The witnesses will please stand and
11 be sworn.

12 (THEREUPON, the witnesses were duly sworn.)
13

14 LEWIS D. GRIFFIN
15 called as a witness, having been first duly sworn, was
16 examined and testified as follows:
17

18 DIRECT EXAMINATION

19 BY MR. HINKLE:

20 Q State your name, residence and by whom you are
21 employed?

22 A My name is Lewis Griffin, I live in Midland, Texas
23 and I'm employed by Exxon Corporation.

24 Q What is your position with Exxon?

25 A I'm a geologist.

1 Q Have you previously testified before the Commission?

2 A Yes, I have.

3 Q Are your qualifications as a petroleum geologist a
4 matter of record with the Commission?

5 A Yes, they are.

6 Q Have you made a study of the unit area that is
7 involved in this case?

8 A Yes, sir.

9 MR. HINKLE: Are his qualifications sufficient?

10 MR. STAMETS: They are.

11 Q (Mr. Hinkle continuing.) Have you prepared or has
12 there been prepared under your direction certain exhibits for
13 introduction in this case?

14 A Yes, sir.

15 Q And they are the ones that have been marked One
16 through Five?

17 A Yes, sir.

18 Q Refer to Exhibit Number One and explain what this
19 is and what it shows?

20 A Our Exhibit One is an index map showing the area
21 of the Prisor Unit which Exxon is seeking to have approved
22 in New Mexico. It is a twenty-four thousand, nine hundred
23 acre unit of State, Federal and fee acreage located in
24 Townships 16 and 17 South, Ranges 1 East and 1 West. Most of
25 the unit falls in the Sierra County, however, the south portion

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1 is located in Dona Ana County.

2 On the index map at the lower portion, we have it
3 located with respect to the State of New Mexico and in the
4 upper portion, going up section of Sierra County, the Prisor
5 Unit Area is outlined in yellow on the expanded scale on the
6 upper portion of the index map.

7 Just north of the Prisor Unit we have outlined a
8 little bit darker than the section units, the Jornada del
9 Muerto Unit, a very large unit, and also on the expanded
10 index scale we have shown the wells in the area of the Prisor
11 Unit.

12 The deep wells, we have designated them by name,
13 total depth and the formation industry says they TD'd in.
14 There are about three shallow wells to the north that I just
15 listed the formation in which they TD'd in.

16 Q Where is this unit with reference to Truth or
17 Consequences and Las Cruces?

18 A Yes, sir, it is about forty miles southeast of
19 Truth or Consequences, New Mexico and about forty to fifty
20 miles northeast of Las Cruces, New Mexico.

21 Q Now, refer to Exhibit Two and explain what this is
22 and what it shows?

23 A Exhibit Two is a land plat of the unit and the unit
24 is outlined by the hachured marks. This plat, incidentally,
25 is on a one to four thousand inch scale. It shows the

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1 character of land ownership, whether it is State, Federal or
2 fee land. It also shows the lease owner and the expiration
3 date of each lease within the unit.

4 Q How many lease owners do you have in the unit, the
5 proposed unit?

6 A Lease owners?

7 Q Lease owners, yes.

8 A Well, inside the unit right now it is Exxon and Getty.

9 Q Just the two?

10 A Yes, sir.

11 Q What is indicated by the white area there in Section
12 28, the forty acres there and over in 25?

13 A Yes, that's fee acreage.

14 Q That's all fee acreage?

15 A Yes, sir.

16 Q Now, refer to Exhibit Three and explain this?

17 A Exhibit Three is a structure map in the Prisor Unit
18 Area. The scale of this map is the same as the scale of
19 the land plat which we just submitted in Exhibit Two. It's
20 one inch equal to four thousand feet. That is contoured on
21 top of the Ellenburger formation and the countour interval
22 is five hundred feet. On the plat we have the outline of the
23 unit in brown tape.

24 The control for our structure map is based primarily
25 on seismic data in the area. The seismic data is also tied

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1 with the wells to the north, which was shown on the index
2 map. So we have seismic and subsurface data to support our
3 structural picture here.

4 The seismic indicates a large fault trending in a
5 northeast-southwest direction, which has approximately four
6 to five thousand feet of throw on it. It is down to the
7 northeast and up to the southwest and on the up-thrown side
8 the majority of the unit falls within the up-thrown side of
9 the faulted structure. There are also some splinter faults off
10 of this major fault which are shown on the plat and the northern
11 portion of the unit and also in the southern portion of the
12 unit.

13 The closure, we have two closing contours within
14 the unit, to the north a minus seventy-five hundred and to
15 the south a minus seven thousand.

16 The well is also -- our location is spotted on
17 the plat. It falls in Township 16 South, Range 1 East,
18 Section 20 and the well spot is nineteen eighty out of the
19 northwest corner. This is a twelve thousand, five hundred
20 foot on basement test.

21 Q What formations do you contemplate testing?

22 A Our primary objective here is the Pennsylvanian
23 and the Ellenburger.

24 Q Why is your location not on the apex of the
25 structure?

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7 buildups and we have chosen the location in the thickest part
8 on our thick, we have chosen the thickest interval where we
9 think possibly the grain carbonate build ups would be, so it
10 falls off of the apex of the Ellenburger structure, yet it is
11 in the thickest portion of what we think to be the Penn.

12 Q Do you have any further comments with respect to
13 Exhibit Three?

14 A No, sir.

15 MR. HINKLE: That's all we have of this witness.

16 MR. STAMETS: Are there any questions of the
17 witness? He may be excused.

18 (THEREUPON, the witness was excused.)
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20 DWIGHT JOHNSON

21 called as a witness, having been first duly sworn, was
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1 Q State your name, address and by whom you are
2 employed?

3 A My name is Dwight Johnson from Midland, Texas and
4 I'm employed by Exxon Company U.S.A. in the Land Department
5 assigned to pooling and unitization.

6 Q Have you had anything to do with the putting together
7 of the unit that is involved in this case?

8 A Yes, I have.

9 Q Are you in the unitization department, you might
10 say, of Exxon?

11 A Yes, sir.

12 Q And has it been your duty to handle the matter of
13 getting this together?

14 A Correct.

15 Q Has this area been designated as an area suitable
16 and proper for unitization by the United States Geological
17 Survey?

18 A Yes, it has.

19 Q Refer to Exhibit Four and explain what this is?

20 A That is the approval that you just spoke of from
21 the USGS.

22 Q And does this indicate the form of unit which is
23 to be used?

24 A Yes, it does, it is the form for unproved areas.

25 Q Which is a regulation form?

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1 A Correct.

2 Q Are you familiar with the form of unit agreement
3 which has been filed with the application in this case?

4 A I am.

5 Q And is that the form of unit that is generally used
6 for an exploratory unit, where Federal, State and fee lands are
7 involved?

8 A It is.

9 Q Now refer to Exhibit Five and explain that?

10 A That would be the approval of the unit agreement by
11 the State of New Mexico.

12 Q The Commissioner of Public Lands?

13 A Yes, sir.

14 Q Now, who is designated as the operator in the unit
15 agreement?

16 A Exxon Corporation.

17 Q Does it provide for the drilling of a test well?

18 A Yes, in Section 9 it provides for the commencement
19 of a test well in six months from the effective date of the
20 agreement.

21 Q Do you intend to wait for the six-months period
22 before commencing the well?

23 A No, as soon as we get approval we would like to
24 start. We do have a rig standing by and we will start paying
25 rig time the fifteenth of this month.

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1 Q By the fifteenth?

2 A By the fifteenth it will start costing us money.

3 Q That's a pretty short time?

4 A That's less than a week.

5 Q On that account would you like to ask the Commission
6 to expedite the issuance of this order so that the unit can
7 be approved and so you can commence operations?

8 A Yes, we would.

9 Q What is the present status of the execution of the
10 unit?

11 A We have just one other working interest party, that
12 being Getty, they have agreed to execute the agreement, subject
13 to working out a suitable operating agreement.

14 Q And that's in the process?

15 A That's in the process, right.

16 Q You do not contemplate any delay on that account?

17 A No.

18 Q Do you anticipate that all of the Federal and State
19 leases will be committed?

20 A They have been committed a hundred percent. We
21 have one small fee interest, it amounts to less than an acre,
22 in Section 28, I believe it is.

23 Q That's the forty acres that's shown in the center of
24 the unit there, approximate center?

25 A Approximately, yes, sir. The owner of that interest

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1 we have been unable to locate and we have been trying for
2 several months. Again, it only amounts to point, nine, three,
3 seven, five net acreage.

4 Q But this will not delay the unit or going ahead?

5 A No, we won't let it bother.

6 Q So you really contemplate that except for that one
7 acre that you will have hundred percent commitment?

8 A That's correct.

9 Q In your opinion if this unit is approved it will be
10 in the interest of conservation and the prevention of waste
11 and protect correlative rights?

12 A We do.

13 MR. HINKLE: We would like to offer Exhibits One
14 through Five.

15 MR. STAMETS: Exhibits One through Five will be
16 admitted.

17 (THEREUPON, Exxon's Exhibits One through
18 Five were admitted into evidence.)

19 MR. STAMETS: Are there any questions of this
20 witness? He may be excused.

21 (THEREUPON, the witness was excused.)

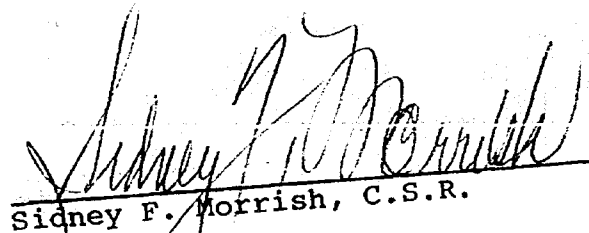
22 MR. STAMETS: Is there anything further in this
23 case? We will take the case under advisement?

24

25

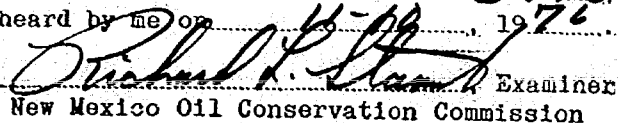
REPORTER'S CERTIFICATE

1
2 I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
3 do hereby certify that the foregoing and attached Transcript
4 of Hearing before the New Mexico Oil Conservation Commission
5 was reported by me, and the same is a true and correct record
6 of the said proceedings to the best of my knowledge, skill and
7 ability.

8
9 
10 Sidney F. Morrish, C.S.R.

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11
12
13
14
15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
the Examiner hearing of Case No. 5798
heard by me on 1976

17 
18 Richard H. Starn, Examiner
New Mexico Oil Conservation Commission
19
20
21
22
23
24
25

APPLICATION FOR HEARING
BEFORE NEW MEXICO OIL CONSERVATION COMMISSION

COMES NOW the undersigned, as attorney on behalf of Exxon Corporation, and files this written Application for Hearing, to be set on the docket for November 10, 1976. In connection therewith, the undersigned, on behalf of Exxon Corporation, submits the following data:

1. Name of Applicant: Exxon Corporation

2. Area Affected by the Order Sought:

Township 16 South, Range 1 East, N.M.P.M.

All of Sections 6, 7, 8, 16, 17,
18, 19, 20, 21, 22, 26, 27, 28,
29, 30, 32, 33, 34, 35, and 36

Township 16 South, Range 1 West, N.M.P.M.

All of Sections 1, 2, 3, 10, 11,
12, 13, 14, 15, and 24

Township 17 South, Range 1 East, N.M.P.M.

All of Sections 1, 2, 3, 4, 10,
11, 12, 13, and 14

containing 24,909.53 acres, more or less,
all of which lie in Sierra and Dona Ana
Counties, New Mexico.

3. General Nature of Order Sought: Applicant seeks an order to approve the Prisor Unit Area, embracing the foregoing lands.

4. Other Matters to be Noted in Connection with the Order Sought: Exxon Corporation is the proposed operator of the Prisor Unit. Lands embraced within the unit area include 20,508.79 acres of federal lands, 4,200.74 acres of State of New Mexico lands, and 200.00 acres of fee lands. For the Commission's information, we transmit herewith a copy of a plat labeled Exhibit "A", more particularly identifying the lands embraced within the proposed unit area for the Prisor Unit. In addition, we transmit herewith three copies of the Unit Agreement for the Prisor Unit for the Commission's information and further use in this case.

Respectfully submitted,

HINKLE, BONDURANT, COX & EATON

By: 

Conrad E. Coffield
Attorneys for Exxon Corporation

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12, 13, 14, 15, and 24

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Respectfully submitted,

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sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Q State your name, address and by whom you are
2 employed?

3 A My name is Dwight Johnson from Midland, Texas and
4 I'm employed by Exxon Company U.S.A. in the Land Department
5 assigned to pooling and unitization.

6 Q Have you had anything to do with the putting together
7 of the unit that is involved in this case?

8 A Yes, I have.

9 Q Are you in the unitization department, you might
10 say, of Exxon?

11 A Yes, sir.

12 Q And has it been your duty to handle the matter of
13 getting this together?

14 A Correct.

15 Q Has this area been designated as an area suitable
16 and proper for unitization by the United States Geological
17 Survey?

18 A Yes, it has.

19 Q Refer to Exhibit Four and explain what this is?

20 A That is the approval that you just spoke of from
21 the USGS.

22 Q And does this indicate the form of unit which is
23 to be used?

24 A Yes, it does, it is the form for unproved areas.

25 Q Which is a regulation form?

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Phone (505) 982-9212

Page 10

1 A Correct.

2 Q Are you familiar with the form of unit agreement
3 which has been filed with the application in this case?

4 A I am.

5 Q And is that the form of unit that is generally used
6 for an exploratory unit, where Federal, State and fee lands are
7 involved?

8 A It is.

9 Q Now refer to Exhibit Five and explain that?

10 A That would be the approval of the unit agreement by
11 the State of New Mexico.

12 Q The Commissioner of Public Lands?

13 A Yes, sir.

14 Q Now, who is designated as the operator in the unit
15 agreement?

16 A Exxon Corporation.

17 Q Does it provide for the drilling of a test well?

18 A Yes, in Section 9 it provides for the commencement
19 of a test well in six months from the effective date of the
20 agreement.

21 Q Do you intend to wait for the six-months period
22 before commencing the well?

23 A No, as soon as we get approval we would like to
24 start. We do have a rig standing by and we will start paying
25 rig time the fifteenth of this month.

1 Q By the fifteenth?

2 A By the fifteenth it will start costing us money.

3 Q That's a pretty short time?

4 A That's less than a week.

5 Q On that account would you like to ask the Commission
6 to expedite the issuance of this order so that the unit can
7 be approved and so you can commence operations?

8 A Yes, we would.

9 Q What is the present status of the execution of the
10 unit?

11 A We have just one other working interest party, that
12 being Getty, they have agreed to execute the agreement, subject
13 to working out a suitable operating agreement.

14 Q And that's in the process?

15 A That's in the process, right.

16 Q You do not contemplate any delay on that account?

17 A No.

18 Q Do you anticipate that all of the Federal and State
19 leases will be committed?

20 A They have been committed a hundred percent. We
21 have one small fee interest, it amounts to less than an acre,
22 in Section 28, I believe it is.

23 Q That's the forty acres that's shown in the center of
24 the unit there, approximate center?

25 A Approximately, yes, sir. The owner of that interest

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1 we have been unable to locate and we have been trying for
2 several months. Again, it only amounts to point, nine, three,
3 seven, five net acreage.

4 Q But this will not delay the unit or going ahead?

5 A No, we won't let it bother.

6 Q So you really contemplate that except for that one
7 acre that you will have hundred percent commitment?

8 A That's correct.

9 Q In your opinion if this unit is approved it will be
10 in the interest of conservation and the prevention of waste
11 and protect correlative rights?

12 A We do.

13 MR. HINKLE: We would like to offer Exhibits One
14 through Five.

15 MR. STAMETS: Exhibits One through Five will be
16 admitted.

17 (THEREUPON, Exxon's Exhibits One through
18 Five were admitted into evidence.)

19 MR. STAMETS: Are there any questions of this
20 witness? He may be excused.

21 (THEREUPON, the witness was excused.)

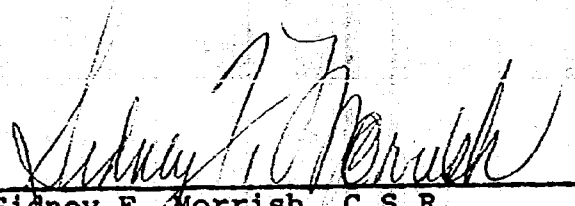
22 MR. STAMETS: Is there anything further in this
23 case? We will take the case under advisement?

24

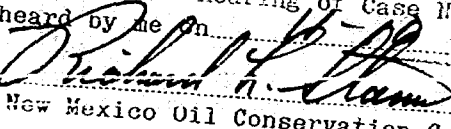
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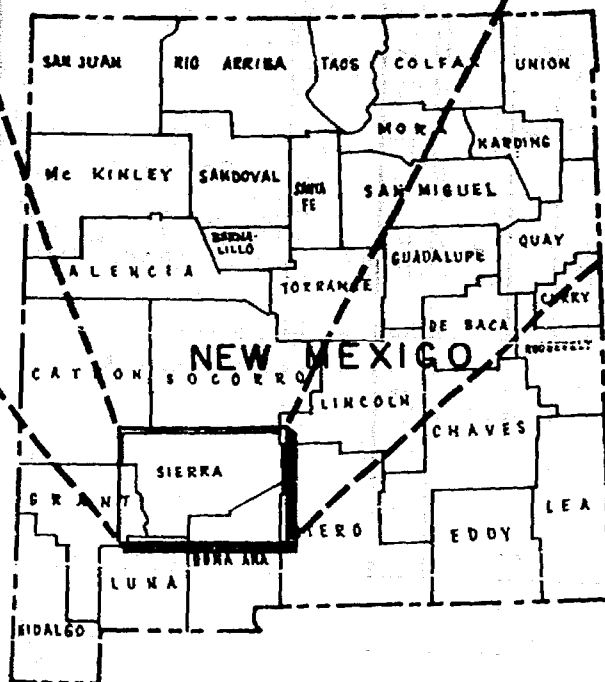
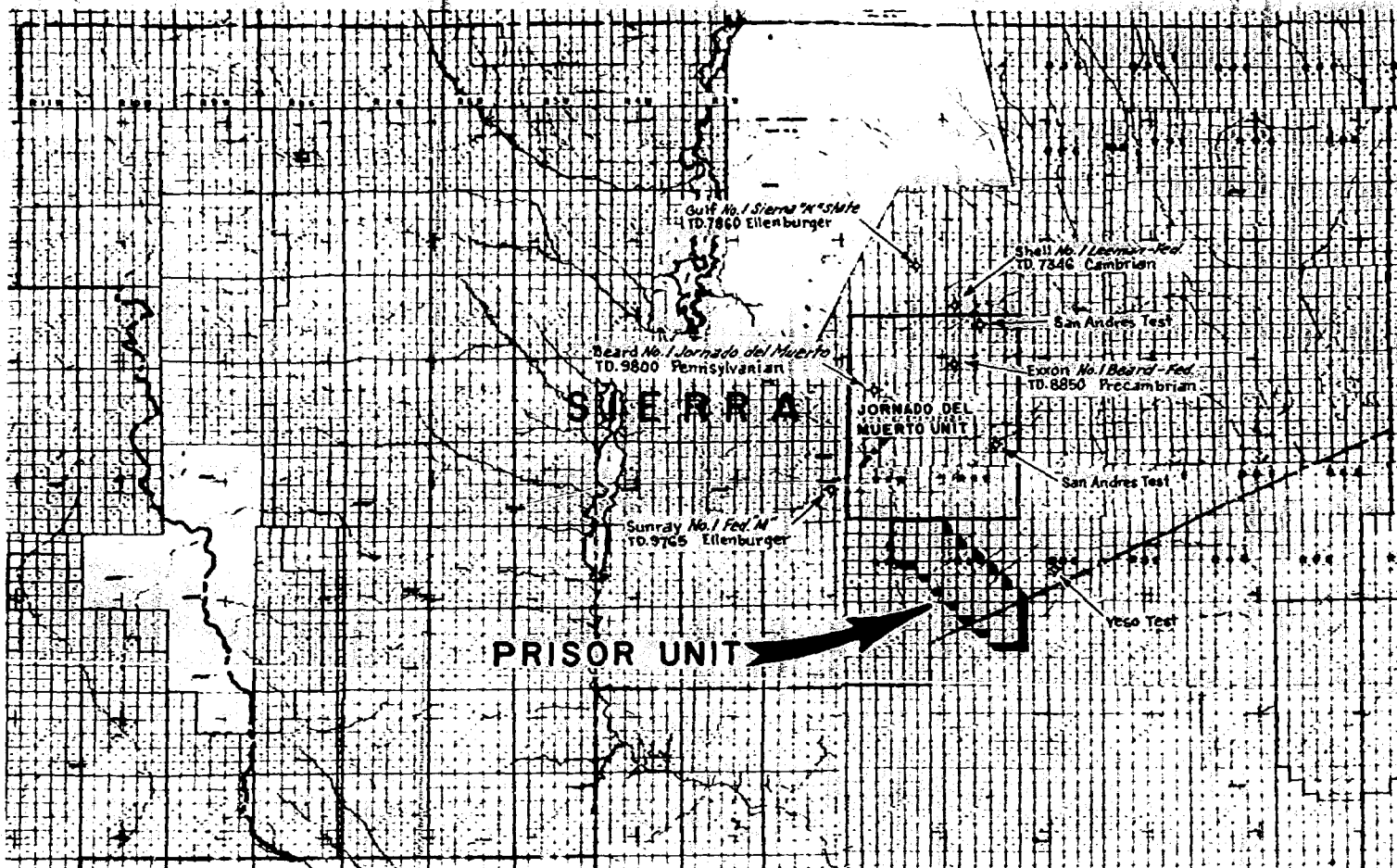
REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5798
heard by me on 1956
, Examiner
New Mexico Oil Conservation Commission



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 1
CASE NO. 5798
Submitted by EXXON
Hearing Date 11-10-76

—INDEX—

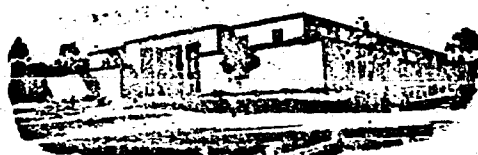
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5778



PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

January 20, 1977

JAN 24 1977

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Exxon Company
P. O. Box 1600
Midland, Texas 79701

Re: Prisor Unit
Sierra and Dona Ana Counties,
New Mexico

ATTENTION: Mr. Marvin L. Wigley

Gentlemen:

The Commissioner of Public Lands has this date approved the proposed Prisor Unit, Sierra and Dona Ana Counties, New Mexico. This approval is subject to like approval by the United States Geological Survey.

Enclosed are Five (5) Certificates of approval.

Your filing fee in the amount of \$410.00 Dollars has been received.

Please advise this office when the United States Geological Survey gives their approval, so that we may finish processing the Prisor Unit Agreement.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division

PRL/RDG/s

Encl.

cc:

USGS-Roswell, New Mexico
OCC-Santa Fe, New Mexico



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

PRISON UNIT

SIERRA AND DONA ANA COUNTIES

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated January 1, 1977, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 20th. day of January, 19 77.

Phie R. Juen

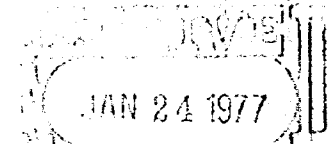
COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico



United States Department of the Interior

GEOLOGICAL SURVEY

Conservation Division
Western Bank Building
505 Marquette, NW, Room 815
Albuquerque, New Mexico 87102



AL CONSERVATION COMM.

Santa Fe

JAN 20 1977

Exxon Company, USA
Attention: Mr. Marvin L. Wigley
P. O. Box 1600
Midland, Texas 79701

Gentlemen:

One approved copy of the Prisor unit agreement, Sierra and Dona Ana Counties, New Mexico, is enclosed. Such agreement has been assigned No. 14-08-0001-14286 and is effective on the date above, the same date as approved.

You are requested to furnish all principals with appropriate evidence of this approval.

Sincerely yours,

JAMES W. SUTHERLAND
Area Oil and Gas Supervisor

Enclosure



CERTIFICATION--DETERMINATION

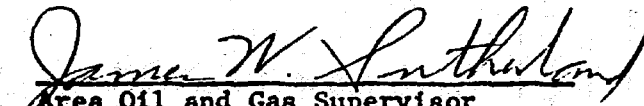
Pursuant to the authority vested in the Secretary of Interior,
under the act approved February 25, 1920, 41 Stat. 437, as amended,
30 U. S. C. secs. 181, et seq., and delegated to the Area Oil and Gas
Supervisors of the Geological Survey, I do hereby:

A. Approve the attached agreement for the development and
operation of the _____ Prisor _____ Unit Area,
State of New Mexico.

B. Certify and determine that the unit plan of development
and operation contemplated in the attached agreement is necessary and
advisable in the public interest for the purpose of more properly
conserving the natural resources.

C. Certify and determine that the drilling, producing,
rental, minimum royalty, and royalty requirements of all Federal
leases committed to said agreement are hereby established, altered,
changed, or revoked to conform with the terms and conditions of this
agreement.

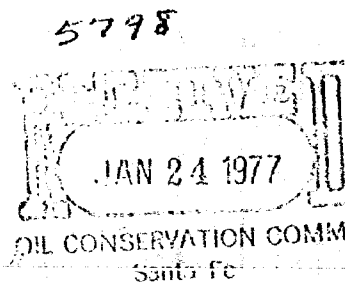
Dated JAN 20 1977.


Area Oil and Gas Supervisor
United States Geological Survey

Contract Number 14-08-0001-14286

EXXON COMPANY, U.S.A.
POST OFFICE BOX 1600 - MIDLAND, TEXAS 79702

EXPLORATION DEPARTMENT
SOUTHWESTERN DIVISION



January 21, 1977

Re: Prisor Unit
Sierra and Dona Ana Counties
New Mexico

Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, NM 87501

Gentlemen:

We are attaching the following with regard to the above captioned Unit for your files:

1. Copy of Unit Agreement dated January 1, 1977, which has been executed by both Exxon and Getty.
2. Copy of letter dated January 20, 1977, accompanied by Certification-Determination whereby the U.S.G.S. approved this Unit effective January 20, 1977.
3. Copy of letter dated January 20, 1977, accompanied by Certificate of Approval by the Commissioner of Public Lands, State of New Mexico, whereby that Agency approved the above Unit January 20, 1977.

Should you require additional information, please advise.

Yours very truly,

Marvin L. Wigley, Supervisor
LAND-UNITIZATION

MLW:lpj

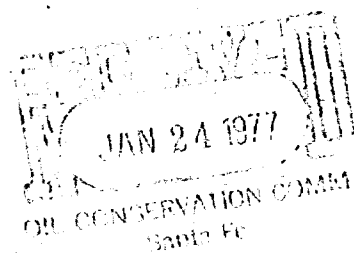
Enclosures

cc: U.S.G.S.-Roswell
Commissioner of Public Lands-Santa Fe

Getty Oil Company
P. O. Box 1231
Midland, TX 79702
Attn: Mr. Owen M. Barnhill

PRISOR UNIT AGREEMENT

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EXHIBITS

Exhibit "A" -----	Land Plat
Exhibit "B" -----	Schedule of Ownership

1 UNIT AGREEMENT 1
2 FOR THE DEVELOPMENT AND OPERATION 2
3 OF THE 3
4 PRISOR UNIT AREA 4
5 COUNTIES OF SIERRA AND DONA ANA 5
6 STATE OF NEW MEXICO 6
7 NO. 14-08-0001-14286 7
8 THIS AGREEMENT entered into as of the 1st day of January, 1977, 8
9 by and between the parties subscribing, ratifying or consenting hereto, and herein 9
10 referred to as the "parties hereto". 10
11 WITNESSETH: 11
12 WHEREAS, the parties hereto are the owners of working, royalty, or other 12
13 gas interests in the unit area subject to this agreement; and 13
14 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as 14
15 amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their repre- 15
16 sentatives to unite with each other or jointly or separately with others, in col- 16
17 lectively adopting and operating a cooperative or unit plan of development or 17
18 operation of any oil or gas pool, field, or like area, or any part thereof for the 18
19 purpose of more properly conserving the natural resources thereof whenever deter- 19
20 mined and certified by the Secretary of the Interior to be necessary or advisable 20
21 in the public interest; and 21
22 WHEREAS, the Commissioner of Public Lands of the State of New Mexico is 22
23 authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) 23
24 to consent to or approve this agreement on behalf of the State of New Mexico, inso- 24
25 far as it covers and includes lands and mineral interests of the State of New 25
26 Mexico; and 26
27 WHEREAS, the Oil Conservation Commission of the State of New Mexico is 27
28 authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9, Part 2, 28
29 1953 Statutes) to approve this agreement and the conservation provisions hereof; 29
30 and 30

1 WHEREAS, the parties hereto hold sufficient interests in the Prisor 1
2 Unit Area covering the land hereinafter described to give reasonably effective 2
3 control of operations therein; and 3

4 WHEREAS, it is the purpose of the parties hereto to conserve natural re- 4
5 sources, prevent waste, and secure other benefits obtainable through development 5
6 and operation of the area subject to this agreement under the terms, conditions 6
7 and limitations herein set forth; 7

8 NOW, THEREFORE, in consideration of the premises and the promises herein 8
9 contained, the parties hereto commit to this agreement their respective interests in 9
10 the below-defined unit area, and agree severally among themselves as follows: 10

11 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 11
12 1920, as amended, supra, and all valid pertinent regulations, including operating 12
13 and unit plan regulations, heretofore issued thereunder or valid, pertinent and 13
14 reasonable regulations hereafter issued thereunder are accepted and made a part of 14
15 this agreement as to Federal lands, provided such regulations are not inconsistent 15
16 with the terms of this agreement; and as to non-Federal lands, the oil and gas operat- 16
17 ing regulations in effect as of the effective date hereof governing drilling and pro- 17
18 ducing operations, not inconsistent with the terms hereof or the laws of the State of 18
19 which the non-Federal land is located, are hereby accepted and made a part of this 19
20 agreement. 20

21 2. UNIT AREA. The area specified on the map attached hereto marked Exhibit 21
22 "A" is hereby designated and recognized as constituting the unit area, containing 22
23 24,909.51 acres, more or less. 23

24 Exhibit "A" shows, in addition to the boundary of the unit area, the bounda- 24
25 ries and identity of tracts and leases in said area to the extent known to the Unit 25
26 Operator. Exhibit "B" attached hereto is a schedule showing, to the extent known to 26
27 the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas inter- 27
28 ests in all land in the unit area. However, nothing herein or in said schedule or map 28
29 shall be construed as a representation by any party hereto as to the ownership of any 29
30 interest other than such interest or interests as are shown in said map or schedule 30

1 as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator 1
2 whenever changes in the unit area render such revision necessary, or when requested 2
3 by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when re- 3
4 quested by the Commissioner of Public Lands of the State of New Mexico, hereinafter 4
5 referred to as "Commissioner", and not less than five copies of the revised exhibits 5
6 shall be filed with the Supervisor, and two copies thereof shall be filed with the 6
7 Commissioner, and one copy with the New Mexico Oil Conservation Commission, herein- 7
8 after referred to as "Commission". 8

9 The above-described unit area shall when practicable be expanded to include 9
10 therein any additional lands or shall be contracted to exclude lands whenever such 10
11 expansion or contraction is deemed to be necessary or advisable to conform with the 11
12 purposes of this agreement. Such expansion or contraction shall be effected in the 12
13 following manner: 13

14 (a) Unit Operator, on its own motion or on demand of the Director of the 14
15 Geological Survey, hereinafter referred to as "Director", or on demand of the Com- 15
16 missioner, after preliminary concurrence by the Director and the Commissioner, shall 16
17 prepare a notice of proposed expansion or contraction describing the contemplated 17
18 changes in the boundaries of the unit area, the reasons therefor, and the proposed 18
19 effective date thereof, preferably the first day of a month subsequent to the date 19
20 of notice. 20

21 (b) Said notice shall be delivered to the Supervisor, the Commissioner 21
22 and the Commission and copies thereof mailed to the last known address of each work- 22
23 ing interest owner, lessee, and lessor whose interests are affected, advising that 23
24 30 days will be allowed for submission to the Unit Operator of any objections. 24

25 (c) Upon expiration of the 30-day period provided in the preceding item 25
26 (b) hereof, Unit Operator shall file with the Supervisor, the Commissioner and the 26
27 Commission evidence of mailing of the notice of expansion or contraction and a copy 27
28 of any objections thereto which have been filed with the Unit Operator, together 28
29 with an application in sufficient number, for approval of such expansion or con- 29
30 traction and with appropriate joinders. 30

1 (d) After due consideration of all pertinent information, the expansion 1
2 or contraction shall, upon approval by the Supervisor, the Commissioner and the Com- 2
3 mission, become effective as of the date prescribed in the notice thereof. 3

4 (e) All legal subdivisions of land (i.e., 40 acres by Government survey 4
5 or its nearest lot or tract equivalent; in instances of irregular surveys unusually 5
6 large lots or tracts shall be considered in multiples of 40 acres or the nearest ali- 6
7 quot equivalent thereof), no parts of which are entitled to be in a participating 7
8 area on or before the fifth anniversary of the effective date of the first initial 8
9 participating area established under this unit agreement, shall be eliminated auto- 9
10 matically from this agreement, effective as of said fifth anniversary, and such 10
11 lands shall no longer be a part of the unit area and shall no longer be subject to 11
12 this agreement, unless diligent drilling operations are in progress on unitized lands 12
13 not entitled to participation on said fifth anniversary, in which event all such 13
14 lands shall remain subject hereto so long as such drilling operations are continued 14
15 diligently with not more than 90 days' time elapsing between the completion of one 15
16 such well and the commencement of the next such well. All legal subdivisions of lands 16
17 not entitled to be in a participating area within 10 years after the effective 17
18 date of the first initial participating area approved under this agreement shall 18
19 be automatically eliminated from this agreement as of said tenth anniversary. All 19
20 lands proved productive by diligent drilling operations after the aforesaid 5-year 20
21 period shall become participating in the same manner as during said 5-year period. 21
22 However, when such diligent drilling operations cease, all nonparticipating lands 22
23 shall be automatically eliminated effective as of the 91st day thereafter. The Unit 23
24 Operator shall, within 90 days after the effective date of any elimination hereunder, 24
25 describe the area so eliminated to the satisfaction of the Supervisor and the Commis- 25
26 sioner, and promptly notify all parties in interest. 26

27 If conditions warrant extension of the 10-year period specified in this 27
28 subsection 2(e), a single extension of not to exceed 2 years may be accomplished by 28
29 consent of the owners of 90% of the working interests in the current nonparticipat- 29
30 ing unitized lands and the owners of 60% of the basic royalty interests (exclusive 30

1 of the basic royalty interests of the United States) in nonparticipating unitized 1
2 lands with approval of the Director and Commissioner, provided such extension appli- 2
3 cation is submitted to the Director and Commissioner not later than 60 days prior to 3
4 the expiration of said 10-year period. 4

5 Any expansion of the unit area pursuant to this section which embraces 5
6 lands theretofore eliminated pursuant to this subsection 2(e) shall not be consider- 6
7 ed automatic commitment or recommitment of such lands. 7

8 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 8
9 agreement shall constitute land referred to herein as "unitized land" or "land sub- 9
10 ject to this agreement". All oil and gas in any and all formations of the unitized 10
11 land are unitized under the terms of this agreement and herein are called "unitized 11
12 substances". 12

13 4. UNIT OPERATOR. Exxon Corporation is hereby designated as Unit Operator 13
14 and by signature hereto as Unit Operator agrees and consents to accept the duties 14
15 and obligations of Unit Operator for the discovery, development, and production of 15
16 unitized substances as herein provided. Whenever reference is made herein to the 16
17 Unit Operator, such reference means the Unit Operator acting in that capacity and not 17
18 as an owner of interest in unitized substances, and the term "working interest owner" 18
19 when used herein shall include or refer to Unit Operator as the owner of a working 19
20 interest when such an interest is owned by it. 20

21 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the 21
22 right to resign at any time prior to the establishment of a participating area or 22
23 areas hereunder, but such resignation shall not become effective so as to release 23
24 Unit Operator from the duties and obligations of Unit Operator and terminate Unit 24
25 Operator's rights as such for a period of 6 months after notice of intention to re- 25
26 sign has been served by Unit Operator on all working interest owners and the Super- 26
27 visor, the Commissioner and the Commission, and until all wells then drilled here- 27
28 under are placed in a satisfactory condition for suspension or abandonment which- 28
29 ever is required by the Supervisor as to Federal lands and by the Commission as to 29
30 State and privately owned lands, unless a new Unit Operator shall have been selected 30

1 and approved and shall have taken over and assumed the duties and obligations of Unit 1
2 Operator prior to the expiration of said period. 2

3 Unit Operator shall have the right to resign in like manner and subject to 3
4 like limitations as above provided at any time a participating area established here- 4
5 under is in existence, but, in all instances of resignation or removal, until a suc- 5
6 cesssor Unit Operator is selected and approved as hereinafter provided, the working 6
7 interest owners shall be jointly responsible for performance of the duties of Unit 7
8 Operator, and shall, not later than 30 days before such resignation or removal be- 8
9 comes effective, appoint a common agent to represent them in any action to be taken 9
10 hereunder. 10

11 The resignation of Unit Operator shall not release Unit Operator from any 11
12 liability for any default by it hereunder occurring prior to the effective date of 12
13 its resignation. 13

14 The Unit Operator may, upon default or failure in the performance of its 14
15 duties or obligations hereunder, be subject to removal by the same percentage vote 15
16 of the owners of working interests as herein provided for the selection of a new 16
17 Unit Operator. Such removal shall be effective upon notice thereof to the Supervi- 17
18 sor and the Commissioner. 18

19 The resignation or removal of Unit Operator under this agreement shall not 19
20 terminate its rights, title or interest as the owner of a working interest or other 20
21 interest in unitized substances, but upon the resignation or removal of Unit Opera- 21
22 tor becoming effective, such Unit Operator shall deliver possession of all wells, 22
23 equipment, materials and appurtenances used in conducting the unit operations to the 23
24 new duly qualified successor Unit Operator or to the common agent, if no such new 24
25 Unit Operator is elected, to be used for the purpose of conducting unit operations 25
26 hereunder. Nothing herein shall be construed as authorizing removal of any mate- 26
27 rial, equipment and appurtenances needed for the preservation of any wells. 27

28 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his 28
29 or its resignation as Unit Operator or shall be removed as hereinabove provided, or 29
30 a change of Unit Operator is negotiated by working interest owners, the owners of the 30

1 working interests in the participating area or areas according to their respective 1
2 acreage interests in such participating area or areas, or, until a participating 2
3 area shall have been established, the owners of the working interests according to 3
4 their respective acreage interests in all unitized land, shall by majority vote 4
5 select a successor Unit Operator: Provided, That, if a majority but less than 75 5
6 per cent of the working interests qualified to vote are owned by one party to this 6
7 agreement, a concurring vote of one or more additional working interest owners shall 7
8 be required to select a new operator. Such selection shall not become effective 8
9 until 9

10 (a) a Unit Operator so selected shall accept in writing the duties and re- 10
11 sponsibilities of Unit Operator, and 11

12 (b) the selection shall have been approved by the Supervisor and the Com- 12
13 missioner. 13

14 If no successor Unit Operator is selected and qualified as herein provid- 14
15 ed, the Director and Commissioner at their election may declare this unit agreement 15
16 terminated. 16

17 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 17
18 Operator is not the sole owner of working interest, costs and expenses incurred by 18
19 Unit Operator in conducting unit operations hereunder shall be paid and apportioned 19
20 among and borne by the owners of working interests, all in accordance with the agree- 20
21 ment or agreements entered into by and between the Unit Operator and the owners of 21
22 working interests, whether one or more, separately or collectively. Any agreement 22
23 or agreements entered into between the working interest owners and the Unit Opera- 23
24 tor as provided in this section, whether one or more, are herein referred to as the 24
25 "unit operating agreement". Such unit operating agreement shall also provide the 25
26 manner in which the working interest owners shall be entitled to receive their re- 26
27 spective proportionate and allocated share of the benefits accruing hereto in con- 27
28 formity with their underlying operating agreements, leases, or other independent 28
29 contracts, and such other rights and obligations as between Unit Operator and the 29
30 working interest owners as may be agreed upon by Unit Operator and the working 30

1 interest owners; however, no such unit operating agreement shall be deemed either 1
2 to modify any of the terms and conditions of this unit agreement or to relieve the 2
3 Unit Operator of any right or obligation established under this unit agreement, and 3
4 in case of any inconsistency or conflict between this unit agreement and the unit 4
5 operating agreement, this unit agreement shall govern. Three true copies of any unit 5
6 operating agreement executed pursuant to this section should be filed with the Super- 6
7 visor and one true copy with the Commissioner and one true copy with the Commission, 7
8 prior to approval of this unit agreement. 8

9 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifi- 9
10 cally provided herein, the exclusive right, privilege, and duty of exercising any and 10
11 all rights of the parties hereto which are necessary or convenient for prospecting 11
12 for producing, storing, allocating, and distributing the unitized substances are here- 12
13 by delegated to and shall be exercised by the Unit Operator as herein provided. Ac- 13
14 ceptable evidence of title to said rights shall be deposited with said Unit Operator 14
15 and, together with this agreement, shall constitute and define the rights, privileges, 15
16 and obligations of Unit Operator. Nothing herein, however, shall be construed to 16
17 transfer title to any land or to any lease or operating agreement, it being under- 17
18 stood that under this agreement the Unit Operator, in its capacity as Unit Operator, 18
19 shall exercise the rights of possession and use vested in the parties hereto only for 19
20 the purposes herein specified. 20

21 9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, 21
22 the Unit Operator shall begin to drill an adequate test well at a location approved 22
23 by the Supervisor, if on Federal land, or by the Commissioner if on State land, or 23
24 by the Commission if on fee land, unless on such effective date a well is being 24
25 drilled conformably with the terms hereof, and thereafter continue such drilling 25
26 diligently until the entire Pennsylvanian formation has been tested or until at a 26
27 lesser depth unitized substances shall be discovered which can be produced in paying 27
28 quantities (to-wit: quantities sufficient to repay the costs of drilling, complet- 28
29 ing, and producing operations, with a reasonable profit) or the Unit Operator shall 29
30 at any time establish to the satisfaction of the Supervisor if located on Federal 30

1 lands, or the Commissioner if located on State lands, or the Commission if located 1
2 on fee lands, that further drilling of said well would be unwarranted or impracti- 2
3 cable, provided, however, that Unit Operator shall not in any event be required to 3
4 drill said well to a depth in excess of 10,000 feet. Until the discovery of a deposit 4
5 of unitized substances capable of being produced in paying quantities, the Unit 5
6 Operator shall continue drilling one well at a time, allowing not more than 6 months 6
7 between the completion of one well and the beginning of the next well, until a well 7
8 capable of producing unitized substances in paying quantities is completed to the 8
9 satisfaction of said Supervisor if on Federal land, or the Commissioner if on State 9
10 land, or the Commission if on fee land, or until it is reasonably proved that the 10
11 unitized land is incapable of producing unitized substances in paying quantities in 11
12 the formations drilled hereunder. Nothing in this section shall be deemed to limit 12
13 the right of the Unit Operator to resign as provided in Section 5 hereof, or as re- 13
14 quiring Unit Operator to commence or continue any drilling during the period pend- 14
15 ing such resignation becoming effective in order to comply with the requirements of 15
16 this section. The Supervisor and Commissioner may modify the drilling requirements 16
17 of this section by granting reasonable extensions of time when, in their opinion, 17
18 such action is warranted. Upon failure to commence any well provided for in this 18
19 section within the time allowed, including any extension of time granted by the 19
20 Supervisor and Commissioner, this agreement will automatically terminate; upon fai- 20
21 lure to continue drilling diligently any well commenced hereunder, the Supervisor 21
22 and Commissioner may, after 15 days notice to the Unit Operator, declare this unit 22
23 agreement terminated. 23

24 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after 24
25 completion of a well capable of producing unitized substances in paying quantities, 25
26 the Unit Operator shall submit for the approval of the Supervisor and the Commis- 26
27 sioner an acceptable plan of development and operation for the unitized land which, 27
28 when approved by the Supervisor and the Commissioner, shall constitute the further 28
29 drilling and operating obligations of the Unit Operator under this agreement for the 29
30 period specified therein. Thereafter, from time to time before the expiration of any 30

1 existing plan, the Unit Operator shall submit for the approval of the Supervisor 1
2 and the Commissioner a plan for an additional specified period for the development 2
3 and operation of the unitized land. 3

4 Any plan submitted pursuant to this section shall provide for the explora- 4
5 tion of the unitized area and for the diligent drilling necessary for determination 5
6 of the area or areas thereof capable of producing unitized substances in paying quan- 6
7 tities in each and every productive formation and shall be as complete and adequate 7
8 as the Supervisor, the Commissioner and Commission may determine to be necessary for 8
9 timely development and proper conservation of the oil and gas resources of the uni- 9
10 tized area and shall: 10

11 (a) specify the number and locations of any wells 11
12 to be drilled and the proposed order and time for 12
13 such drilling; and 13
14 (b) to the extent practicable, specify the operating 14
15 practices regarded as necessary and advisable for 15
16 proper conservation of natural resources. 16

17 Separate plans may be submitted for separate productive zones, subject to the ap- 17
18 proval of the Supervisor, the Commissioner and the Commission. 18

19 Plans shall be modified or supplemented when necessary to meet changed 19
20 conditions or to protect the interests of all parties to this agreement. Reason- 20
21 able diligence shall be exercised in complying with the obligations of the approved 21
22 plan of development. The Supervisor and Commissioner are authorized to grant a rea- 22
23 sonable extension of the 6-month period herein prescribed for submission of an 23
24 initial plan of development where such action is justified because of unusual con- 24
25 ditions or circumstances. After completion hereunder of a well capable of producing 25
26 any unitized substances in paying quantities, no further wells, except such as may 26
27 be necessary to afford protection against operations not under this agreement and 27
28 such as may be specifically approved by the Supervisor and the Commissioner, shall 28
29 be drilled except in accordance with a plan of development approved as herein pro- 29
30 vided. 30

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor and Commissioner, the Unit Operator shall submit for approval by the Supervisor and Commissioner a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first day of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and Commissioner. No

1 land shall be excluded from a participating area on account of depletion of the uni- 1
2 tized substances, except that any participating area established under the provisions 2
3 of this unit agreement shall terminate automatically whenever all completions in the 3
4 formation on which the participating area is based are abandoned. 4

5 It is the intent of this section that a participating area shall represent 5
6 the area known or reasonably estimated to be productive in paying quantities, but, re- 6
7 gardless of any revision of the participating area, nothing herein contained shall be 7
8 construed as requiring any retroactive adjustment for production obtained prior to the 8
9 effective date of the revision of the participating area. 9

10 In the absence of agreement at any time between the Unit Operator and the 10
11 Supervisor and Commissioner as to the proper definition or redefinition of a partici- 11
12 pating area, or until a participating area has, or areas have, been established as 12
13 provided herein, the portion of all payments affected thereby shall be impounded in 13
14 a manner mutually acceptable to the owners of working interests and the Supervisor 14
15 and Commissioner. Royalties due the United States and the State of New Mexico, which 15
16 shall be determined by the Supervisor for Federal land and the Commissioner for State 16
17 land and the amount thereof shall be deposited, as directed by the Supervisor and 17
18 Commissioner respectively, to be held as unearned money until a participating area is 18
19 finally approved and then applied as earned or returned in accordance with a determi- 19
20 nation of the sum due as Federal and State royalty on the basis of such approved 20
21 participating area. 21

22 Whenever it is determined, subject to the approval of the Supervisor as to 22
23 wells drilled on Federal land and of the Commissioner as to wells drilled on State 23
24 land, that a well drilled under this agreement is not capable of production in pay- 24
25 ing quantities and inclusion of the land on which it is situated in a participating 25
26 area is unwarranted, production from such well shall, for the purposes of settlement 26
27 among all parties other than working interest owners, be allocated to the land on 27
28 which the well is located unless such land is already within the participating area 28
29 established for the pool or deposit from which such production is obtained. Settle- 29
30 ment for working interest benefits from such a well shall be made as provided in the 30

1 unit operating agreement. 1

2 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 2
3 participating area established under this agreement, except any part thereof used in 3
4 conformity with good operating practices within the unitized area for drilling, operat- 4
5 ing, camp and other production or development purposes for repressuring or recycling 5
6 in accordance with a plan of development approved by the Supervisor and Commissioner, 6
7 or unavoidably lost, shall be deemed to be produced equally on an acreage basis from 7
8 the several tracts of unitized land of the participating area established for such 8
9 production and, for the purpose of determining any benefits accruing under this agree- 9
10 ment, each such tract of unitized land shall have allocated to it such percentage of 10
11 said production as the number of acres of such tract included in said participating 11
12 area bears to the total acres of unitized land in said participating area, except that 12
13 allocation of production hereunder, for purposes other than for settlement of the 13
14 royalty, overriding royalty, or payment out of production obligations of the re- 14
15 spective working interest owners shall be on the basis prescribed in the unit operat- 15
16 ing agreement whether in conformity with the basis of allocation herein set forth or 16
17 otherwise. It is hereby agreed that production of unitized substances from a par- 17
18 ticipating area shall be allocated as provided herein regardless of whether any wells 18
19 are drilled on any particular part or tract of said participating area. If any gas 19
20 produced from one participating area is used for repressuring or recycling purposes 20
21 in another participating area, the first gas withdrawn from such last-mentioned par- 21
22 ticipating area for sale during the life of this agreement shall be considered to be 22
23 the gas so transferred until an amount equal to that transferred shall be so produced 23
24 for sale and such gas shall be allocated to the participating area from which initial- 24
25 ly produced as such area was last defined at the time of such final production. 25

26 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 26
27 Any party hereto owning or controlling the working interest in any unitized land hav- 27
28 ing thereon a regular well location may with the approval of the Supervisor as to 28
29 Federal land, the Commissioner as to State land and the Commission as to privately 29
30 owned land, at such party's sole risk, cost and expense, drill a well to test any 30

1 formation for which a participating area has not been established or to test any 1
2 formation for which a participating area has been established if such location is 2
3 not within said participating area, unless within 90 days of receipt of notice from 3
4 said party of his intention to drill the well the Unit Operator elects and commences 4
5 to drill such a well in like manner as other wells are drilled by the Unit Operator 5
6 under this agreement. 6

7 If any well drilled as aforesaid by a working interest owner results in pro- 7
8 duction such that the land upon which it is situated may properly be included in a 8
9 participating area, such participating area shall be established or enlarged as pro- 9
10 vided in this agreement and the well shall thereafter be operated by the Unit Operator 10
11 in accordance with the terms of this agreement and the unit operating agreement. 11

12 If any well drilled as aforesaid by a working interest owner obtains produc- 12
13 tion in quantities insufficient to justify the inclusion of the land upon which such 13
14 well is situated in a participating area, such well may be operated and produced by 14
15 the party drilling the same subject to the conservation requirements of this agree- 15
16 ment. The royalties in amount or value of production from any such well shall be paid 16
17 as specified in the underlying lease and agreements affected. 17

18 14. ROYALTY SETTLEMENT. The United States and any State and any royalty 18
19 owner who is entitled to take in kind a share of the substances now unitized here- 19
20 under shall hereafter be entitled to the right to take in kind its share of the uni- 20
21 tized substances, and the Unit Operator, or the working interest owner in case of the 21
22 operation of a well by a working interest owner as herein provided for in special 22
23 cases, shall make deliveries of such royalty share taken in kind in conformity with 23
24 the applicable contracts, laws and regulations. Settlement for royalty interest 24
25 not taken in kind shall be made by working interest owners responsible therefor under 25
26 existing contracts, laws and regulations, or by the Unit Operator, on or before the 26
27 last day of each month for unitized substances produced during the preceding calen- 27
28 dar month; provided, however, that nothing herein contained shall operate to relieve 28
29 the lessees of any land from their respective lease obligations for the payment of 29
30 any royalties due under their leases. 30

1 If gas obtained from lands not subject to this agreement is introduced 1
2 into any participating area hereunder, for use in repressuring, stimulation or 2
3 production, or increasing ultimate recovery, in conformity with a plan of opera- 3
4 tions approved by the Supervisor, the Commissioner, and Commission, a like amount 4
5 of gas, after settlement as herein provided for any gas transferred from any other 5
6 participating area and with appropriate deduction for loss from any cause, may be 6
7 withdrawn from the formation in which the gas is introduced, royalty free as to dry 7
8 gas, but not as to any products which may be extracted therefrom; provided that such 8
9 withdrawal shall be at such time as may be provided in the approved plan of operations 9
10 or as may otherwise be consented to by the Supervisor, the Commissioner and Commission 10
11 as conforming to good petroleum engineering practice; and provided further, that such 11
12 right of withdrawal shall terminate on the termination of this unit agreement. 12

13 Royalty due the United States shall be computed as provided in the operating 13
14 regulations and paid in value or delivered in kind as to all unitized substances on 14
15 the basis of the amounts thereof allocated to unitized Federal land as provided here- 15
16 in at the rate specified in the respective Federal leases, or at such lower rate or 16
17 rates as may be authorized by law or regulation; provided, that for leases on which 17
18 the royalty rate depends on the daily average production per well, said average pro- 18
19 duction shall be determined in accordance with the operating regulations as though 19
20 each participating area were a single consolidated lease. 20

21 Royalty due on account of State lands shall be computed and paid on the 21
22 basis of all unitized substances allocated to such lands. 22

23 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed 23
24 hereto shall be paid by working interest owners responsible therefor under existing 24
25 contracts, laws and regulations, provided that nothing herein contained shall opera- 25
26 ate to relieve the lessees of any land from their respective lease obligations for 26
27 the payment of any rental or minimum royalty due under their leases. Rental or mini- 27
28 mum royalty for lands of the United States subject to this agreement shall be paid at 28
29 the rate specified in the respective leases from the United States unless such rental 29
30 or minimum royalty is waived, suspended or reduced by law or by approval of the Secre- 30

1 tary or his duly authorized representative. 1.

2 Rentals on State of New Mexico lands subject to this agreement shall be 2

3 paid at the rates specified in the respective leases. 3

4 With respect to any lease on non-Federal land containing provisions which 4

5 would terminate such lease unless drilling operations are commenced upon the land 5

6 covered thereby within the time therein specified or rentals are paid for the privi- 6

7 lege of deferring such drilling operations, the rentals required thereby shall, not- 7

8 withstanding any other provisions of this agreement be deemed to accrue and become 8

9 payable during the term thereof as extended by this agreement and until the required 9

10 drilling operations are commenced upon the land covered thereby or until some portion 10

11 of such land is included within a participating area. 11

12 16. CONSERVATION. Operations hereunder and production of unitized sub- 12

13 stances shall be conducted to provide for the most economical and efficient recovery 13

14 of said substances without waste, as defined by or pursuant to State or Federal laws 14

15 or regulations. 15

16 17. DRAINAGE. The Unit Operator shall take such measures as the Super- 16

17 visor and Commissioner deem appropriate and adequate to prevent drainage of unitized 17

18 substances from unitized land by wells on land not subject to this agreement. 18

19 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions 19

20 and provisions of all leases, subleases and other contracts relating to exploration, 20

21 drilling, development or operations for oil or gas on lands committed to this agree- 21

22 ment are hereby expressly modified and amended to the extent necessary to make the 22

23 same conform to the provisions hereof, but otherwise to remain in full force and ef- 23

24 fect; and the parties hereto hereby consent that the Secretary as to Federal leases 24

25 and the Commissioner as to State leases shall and each by his approval hereof, or by 25

26 the approval hereof by their duly authorized representatives, do hereby establish, 26

27 alter, change or revoke the drilling, producing, rental minimum royalty and royalty 27

28 requirements of Federal and State leases committed hereto and the regulations in re- 28

29 spect thereto to conform said requirements to the provisions of this agreement, and, 29

30 without limiting the generality of the foregoing, all leases, subleases, and con- 30

1 tracts are particularly modified in accordance with the following: 1

2 (a) The development and operation of lands subject to this agreement 2
3 under the terms hereof shall be deemed full performance of all obliga- 3
4 tions for development and operation with respect to each and every sepa- 4
5 rately owned tract subject to this agreement, regardless of whether 5
6 there is any development of any particular tract of the unit area. 6

7 (b) Drilling and producing operations performed hereunder upon any 7
8 tract of unitized land will be accepted and deemed to be performed upon 8
9 and for the benefit of each and every tract of unitized land, and no 9
10 lease shall be deemed to expire by reason of failure to drill or produce 10
11 wells situated on the land therein embraced. 11

12 (c) Suspension of drilling or producing operations on all unitized 12
13 lands pursuant to direction or consent of the Secretary and Commission- 13
14 er or their duly authorized representatives shall be deemed to consti- 14
15 tute such suspension pursuant to such direction or consent as to each 15
16 and every tract of unitized land. A suspension of drilling or produc- 16
17 ing operations limited to specified lands shall be applicable only to 17
18 such lands. 18

19 (d) Each lease, sublease or contract relating to the exploration, drill- 19
20 ing, development or operation for oil or gas of lands other than those of 20
21 the United States or State of New Mexico committed to this agreement, 21
22 which, by its terms might expire prior to the termination of this agree- 22
23 ment, is hereby extended beyond any such term so provided therein so that 23
24 it shall be continued in full force and effect for and during the term of 24
25 this agreement. 25

26 (e) Any Federal lease for a fixed term of twenty (20) years or any renewal 26
27 thereof or any part of such lease which is made subject to this agreement 27
28 shall continue in force beyond the term provided therein until the termi- 28
29 nation hereof. Any other Federal lease committed hereto shall continue in 29
30 force beyond the term so provided therein or by law as to the land committed 30

1 so long as such lease remains subject hereto, provided that production 1
2 is had in paying quantities under this unit agreement prior to the expi- 2
3 ration date of the terms of such lease, or in the event actual drilling 3
4 operations are commenced on unitized lands, in accordance with the pro- 4
5 visions of this agreement, prior to the end of the primary term of such 5
6 lease and are being diligently prosecuted at that time, such lease shall 6
7 be extended for two years and so long thereafter as oil or gas is produc- 7
8 ed in paying quantities in accordance with the provisions of the Mineral 8
9 Leasing Act Revision of 1960. 9

10 (f) Each sublease or contract relating to the operation and development 10
11 of unitized substances from lands of the United States committed to this 11
12 agreement, which by its terms would expire prior to the time at which the 12
13 underlying lease, as extended by the immediately preceding paragraph, will 13
14 expire, is hereby extended beyond any such term so provided therein so that 14
15 it shall be continued in full force and effect for and during the term of 15
16 the underlying lease as such term is herein extended. 16

17 (g) Any lease embracing lands of the State of New Mexico which is made 17
18 subject to this agreement, shall continue in force beyond the term pro- 18
19 vided therein as to the lands committed hereto until the termination 19
20 hereof, subject to the provisions of subsection (e) of Section 2 and sub- 20
21 section (i) of this Section 18. 21

22 (h) The segregation of any Federal lease committed to this agreement is 22
23 governed by the following provisions in the fourth paragraph of Sec. 17(j) 23
24 of the Mineral Leasing Act, as amended by the Act of September 2, 1960 24
25 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter commit- 25
26 ted to any such (unit) plan embracing lands that are in part within and 26
27 in part outside of the area covered by any such plan shall be segregated 27
28 into separate leases as to the lands committed and the lands not committed 28
29 as of the effective date of unitization: Provided, however, That any such 29
30 lease as to the nonunitized portion shall continue in force and effect for 30

1 the term thereof but for not less than two years from the date of such 1
2 segregation and so long thereafter as oil or gas is produced in paying 2
3 quantities." 3

4 (i) Any lease embracing lands of the State of New Mexico having only a 4
5 portion of its lands committed hereto, shall be segregated as to the por- 5
6 tion committed and the portion not committed, and the provisions of such 6
7 lease shall apply separately to such segregated portions commencing as of 7
8 the effective date hereof; provided, however, notwithstanding any of the 8
9 provisions of this agreement to the contrary any lease embracing lands 9
10 of the State of New Mexico having only a portion of its lands committed 10
11 hereto shall continue in full force and effect beyond the term provided 11
12 therein as to all lands embraced in such lease, if oil or gas is dis- 12
13 covered and is capable of being produced in paying quantities from some 13
14 part of the lands embraced in such lease at the expiration of the second- 14
15 ary term of such lease; or if, at the expiration of the secondary term, 15
16 the lessee or Unit Operator is then engaged in bona fide drilling or re- 16
17 working operations on some part of the lands embraced in such lease, the 17
18 same, as to all lands embraced therein, shall remain in full force and ef- 18
19 fect so long as such operations are being diligently prosecuted, and if 19
20 they result in the production of oil or gas, said lease shall continue in 20
21 full force and effect as to all of the lands embraced therein, so long 21
22 thereafter as oil or gas in paying quantities is being produced from any 22
23 portion of said lands. 23

24 (j) Any lease, other than a Federal lease, having only a portion of its 24
25 lands committed hereto shall be segregated as to the portion committed 25
26 and the portion not committed, and the provisions of such lease shall 26
27 apply separately to such segregated portions commencing as of the effec- 27
28 tive date hereof. In the event any such lease provides for a lump sum 28
29 rental payment, such payment shall be prorated between the portions so 29
30 segregated in proportion to the acreage of the respective tracts. 30

1 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 1
2 to be covenants running with the land with respect to the interest of the parties 2
3 hereto and their successors in interest until this agreement terminates, and any 3
4 grant, transfer, or conveyance of interest in land or leases subject hereto shall 4
5 be and hereby is conditioned upon the assumption of all privileges and obligations 5
6 hereunder by the grantee, transferee or other successor in interest. No assignment 6
7 or transfer of any working interest, royalty, or other interest subject hereto shall 7
8 be binding upon Unit Operator until the first day of the calendar month after Unit 8
9 Operator is furnished with the original, photostatic, or certified copy of the 9
10 instrument of transfer. 10

11 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 11
12 approval by the Secretary and Commissioner, or their duly authorized representatives 12
13 and shall terminate five (5) years from said effective date unless: 13

14 (a) such date of expiration is extended by the Director and Commission- 14
15 er, or 15

16 (b) it is reasonably determined prior to the expiration of the fixed 16
17 term or any extension thereof that the unitized land is incapable of 17
18 production of unitized substances in paying quantities in the formations 18
19 tested hereunder and after notice of intention to terminate the agreement 19
20 on such ground is given by the Unit Operator to all parties in interest 20
21 at their last known addresses, the agreement is terminated with the ap- 21
22 proval of the Supervisor and the Commissioner, or 22

23 (c) a valuable discovery of unitized substances has been made or accept- 23
24 ed on unitized land during said initial term or any extension thereof, in 24
25 which event the agreement shall remain in effect for such term and so long 25
26 as unitized substances can be produced in quantities sufficient to pay for 26
27 the cost of producing same from wells on unitized land within any partici- 27
28 pating area established hereunder and, should production cease, so long 28
29 thereafter as diligent operations are in progress for the restoration of 29
30 production or discovery of new production and so long thereafter as unitiz- 30

1
2 ed substances so discovered can be produced as aforesaid, or 2
3 (d) it is terminated as heretofore provided in this agreement. 3
4 This agreement may be terminated at any time by not less than 75 per centum, on 4
5 an acreage basis, of the working interest owners signatory hereto, with the approval 5
6 of the Supervisor and Commissioner; notice of any such approval to be given by the 6
7 Unit Operator to all parties hereto. 7
8 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is 8
9 hereby vested with authority to alter or modify from time to time in his discretion 9
10 the quantity and rate of production under this agreement when such quantity and rate 10
11 is not fixed pursuant to Federal or State law or does not conform to any statewide 11
12 voluntary conservation or allocation program, which is established, recognized and 12
13 generally adhered to by the majority of operators in such State, such authority be- 13
14 ing hereby limited to alteration or modification in the public interest, the purpose 14
15 thereof and the public interest to be served thereby to be stated in the order of 15
16 alteration or modification. Without regard to the foregoing, the Director is also 16
17 hereby vested with authority to alter or modify from time to time in his discretion 17
18 the rate of prospecting and development and the quantity and rate of production 18
19 under this agreement when such alteration or modification is in the interest of 19
20 attaining the conservation objectives stated in this agreement and is not in viola- 20
21 tion of any applicable Federal or State law; provided, further, that no such altera- 21
22 tion or modification shall be effective as to any land of the State of New Mexico, 22
23 as to the rate of prospecting and developing in the absence of the specific written 23
24 approval thereof by the Commissioner and as to any lands of the State of New Mexico 24
25 or privately owned lands subject to this agreement as to the quantity and rate of 25
26 production in the absence of specific written approval thereof by the Commission. 26
27 Powers in this section vested in the Director shall only be exercised after 27
28 notice to Unit Operator and opportunity for hearing to be held not less than 15 days 28
29 from notice. 29
30 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working 30

1
2 interest owners nor any of them shall be subject to any forfeiture, termination
3 or expiration of any rights hereunder or under any leases or contracts subject
4 hereto; or to any penalty or liability on account of delay or failure in whole or
5 in part to comply with any applicable provision thereof to the extent that the Unit
6 Operator, working interest owners or any of them are hindered, delayed or prevented
7 from complying therewith by reason of failure of the Unit Operator to obtain in the
8 exercise of due diligence, the concurrence of proper representatives of the United
9 States and proper representatives of the State of New Mexico in and about any matters
10 or things concerning which it is required herein that such concurrence be obtained.
11 The parties hereto, including the Commission, agree that all powers and authority
12 vested in the Commission in and by any provisions of this agreement are vested in
13 the Commission and shall be exercised by it pursuant to the provisions of the laws
14 of the State of New Mexico and subject to any case to appeal or judicial review as
15 may now or hereafter be provided by the laws of the State of New Mexico.

16 23. APPEARANCES. Unit Operator shall, after notice to other parties af-
17 fected, have the right to appear for and on behalf of any and all interests affected
18 hereby before the Department of the Interior, the Commissioner of Public Lands of
19 the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal
20 from orders issued under the regulations of said Department, the Commission or Com-
21 missioner or to apply for relief from any of said regulations or in any proceedings
22 relative to operations before the Department of the Interior, the Commissioner, or
23 Commission, or any other legally constituted authority; provided, however that any
24 other interested party shall also have the right at his own expense to be heard in
25 any such proceeding.

26 24. NOTICES. All notices, demands or statements required hereunder to
27 be given or rendered to the parties hereto shall be deemed fully given if given in
28 writing and personally delivered to the party or sent by postpaid registered or cer-
29 tified mail, addressed to such party or parties at their respective addresses set
30 forth in connection with the signatures hereto or to the ratification or consent

1 hereof or to such other address as any such party may have furnished in writing to 1
2 party sending the notice, demand or statement. 2

3 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 3
4 shall be construed as a waiver by any party hereto of the right to assert any legal 4
5 or constitutional right or defense as to the validity or invalidity of any law of the 5
6 State wherein said unitized lands are located, or of the United States, or regula- 6
7 tions issued thereunder in any way affecting such party, or as a waiver by any 7
8 such party of any right beyond his or its authority to waive. 8

9 26. UNAVOIDABLE DELAY. All obligations under this agreement requiring 9
10 the Unit Operator to commence or continue drilling or to operate on or produce uni- 10
11 tized substances from any of the lands covered by this agreement shall be suspended 11
12 while the Unit Operator, despite the exercise of due care and diligence, is prevent- 12
13 ed from complying with such obligations, in whole or in part, by strikes, acts of 13
14 God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrol- 14
15 lable delays in transportation, inability to obtain necessary materials in open 15
16 market, or other matters beyond the reasonable control of the Unit Operator whether 16
17 similar to matters herein enumerated or not. No unit obligation which is suspend- 17
18 ed under this section shall become due less than thirty (30) days after it has been 18
19 determined that the suspension is no longer applicable. Determination of creditable 19
20 "Unavoidable Delay" time shall be made by the Unit Operator subject to approval of 20
21 the Supervisor and Commissioner. 21

22 27. NONDISCRIMINATION. In connection with the performance of work under 22
23 this agreement, the operator agrees to comply with all of the provisions of Section 23
24 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which 24
25 are hereby incorporated by reference in this agreement. 25

26 28. LOSS OF TITLE. In the event title to any tract of unitized land 26
27 shall fail and the true owner cannot be induced to join in this unit agreement, such 27
28 tract shall be automatically regarded as not committed hereto and there shall be 28
29 such readjustment of future costs and benefits as may be required on account of the 29
30 loss of such title. In the event of a dispute as to title to any royalty, working 30

1 interest or other interests subject thereto, payment or delivery on account thereof 1
2 may be withheld without liability for interest until the dispute is finally settled; 2
3 provided, that, as to Federal and State land or leases, no payments of funds due the 3
4 United States or State of New Mexico should be withheld, but such funds of the United 4
5 States shall be deposited as directed by the Supervisor and such funds of the State of 5
6 New Mexico shall be deposited as directed by the Commissioner to be held as unearned 6
7 money pending final settlement of the title dispute, and then applied as earned or 7
8 returned in accordance with such final settlement. 8

9 Unit Operator as such is relieved from any responsibility for any defect 9
10 or failure of any title hereunder. 10

11 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial 11
12 interest in a tract within the unit area fails or refuses to subscribe or consent 12
13 to this agreement, the owner of the working interest in that tract may withdraw 13
14 said tract from this agreement by written notice delivered to the Supervisor and 14
15 the Commissioner and the Unit Operator prior to the approval of this agreement by 15
16 the Supervisor and Commissioner. Any oil or gas interests in lands within the unit 16
17 area not committed hereto prior to submission of this agreement for final approval 17
18 may thereafter be committed hereto by the owner or owners thereof subscribing or 18
19 consenting to this agreement, and, if the interest is a working interest, by the 19
20 owner of such interest also subscribing to the unit operating agreement. After 20
21 operations are commenced hereunder, the right of subsequent joinder, as provided 21
22 in this section, by a working interest owner is subject to such requirements or 22
23 approvals, if any, pertaining to such joinder, as may be provided for in the unit 23
24 operating agreement. After final approval hereof, joinder by a non-working inter- 24
25 est owner must be consented to in writing by the working interest owner committed 25
26 hereto and responsible for the payment of any benefits that may accrue hereunder 26
27 in behalf of such non-working interest. A non-working interest may not be commit- 27
28 ted to this unit agreement unless the corresponding working interest is committed 28
29 hereto. Joinder to the unit agreement by a working interest owner, at any time, 29
30 must be accompanied by appropriate joinder to the unit operating agreement, if more 30

1 than one committed working interest owner is involved, in order for the interest to 1
2 be regarded as committed to this unit agreement. Except as may otherwise herein be 2
3 provided subsequent joinders to this agreement shall be effective as of the first day 3
4 of the month following the filing with the Supervisor and the Commissioner of duly 4
5 executed counterparts of all or any papers necessary to establish effective commit- 5
6 ment of any tract to this agreement unless objection to such joinder is duly made 6
7 within 60 days by the Supervisor, provided, however, that as to State lands all sub- 7
8 sequent joinders must be approved by the Commissioner. 8

9 30. COUNTERPARTS. This agreement may be executed in any number of coun- 9
10 terparts no one of which needs to be executed by all parties or may be ratified or 10
11 consented to by separate instrument in writing specifically referring hereto and 11
12 shall be binding upon all those parties who executed such a counterpart, ratifica- 12
13 tion, or consent hereto with the same force and effect as if all such parties had 13
14 signed the same document and regardless of whether or not it is executed by all 14
15 other parties owning or claiming an interest in the lands within the above describ- 15
16 ed unit area. 16

17 31. NO PARTNERSHIP. It is expressly agreed that the relation of the par- 17
18 ties hereto is that of independent contractors and nothing in this agreement con- 18
19 tained, expressed or implied, nor any operations conducted hereunder, shall create 19
20 or be deemed to have created a partnership or association between the parties hereto 20
21 or any of them. 21

22 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be 22
23 executed and have set opposite their respective names the date of execution. 23

24 EXXON CORPORATION

25 Date: 1-7-77

26 ADDRESS: P. O. Box 1600
27 Midland, Texas 79701

28 By: B. D. Holland
29 B. D. HOLLAND, ATTORNEY IN FACT
30

Div. Legal M. J. L.
Div. Geol. J. J. L.
Jt. Int. J. J. L.
Div. Acct. J. J. L.
Div. Law J. J. L.

GETTY OIL COMPANY

ATTEST:

By

Clyde E. Willbern

CLYDE E. WILLBERN
Attorney-in-Fact

Dated JAN 18 1977

ADDRESS: GETTY OIL COMPANY
P. O. BOX 1231
MIDLAND, TEXAS 79701

THE STATE OF TEXAS S
COUNTY OF MIDLAND S

The foregoing instrument was acknowledged before me this

7th day of January, 1976, by B. D. HOLLAND, Attorney
in Fact of EXXON CORPORATION, on behalf of said corporation.

My Commission Expires:

6-1-77

Lena P. Jekle
Notary Public in and for
Midland County, Texas.

THE STATE OF
COUNTY OF

S
:
S

The foregoing instrument was acknowledged before me this

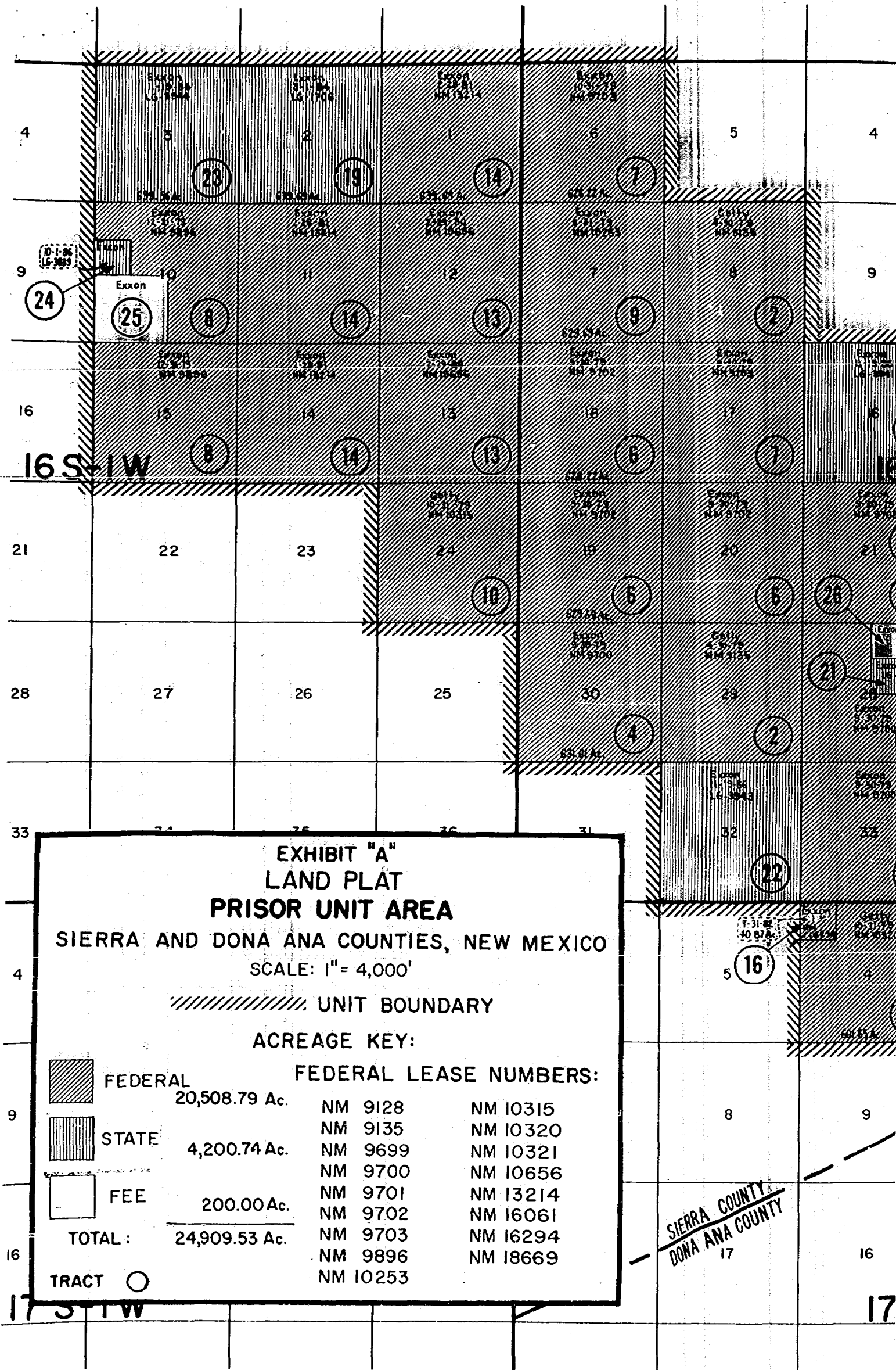
18th day of January, 1976, by CLYDE E. WILLBERN,
ATTORNEY-IN-FACT of GETTY OIL COMPANY, on behalf
of said corporation.

My Commission Expires:

APR 1 1978

Pat Baker
Notary Public in and for
Said County and State.

PAT BAKER
Notary Public in and for Harris County, Texas
My commission expires June 1, 1977 APR 1 1978



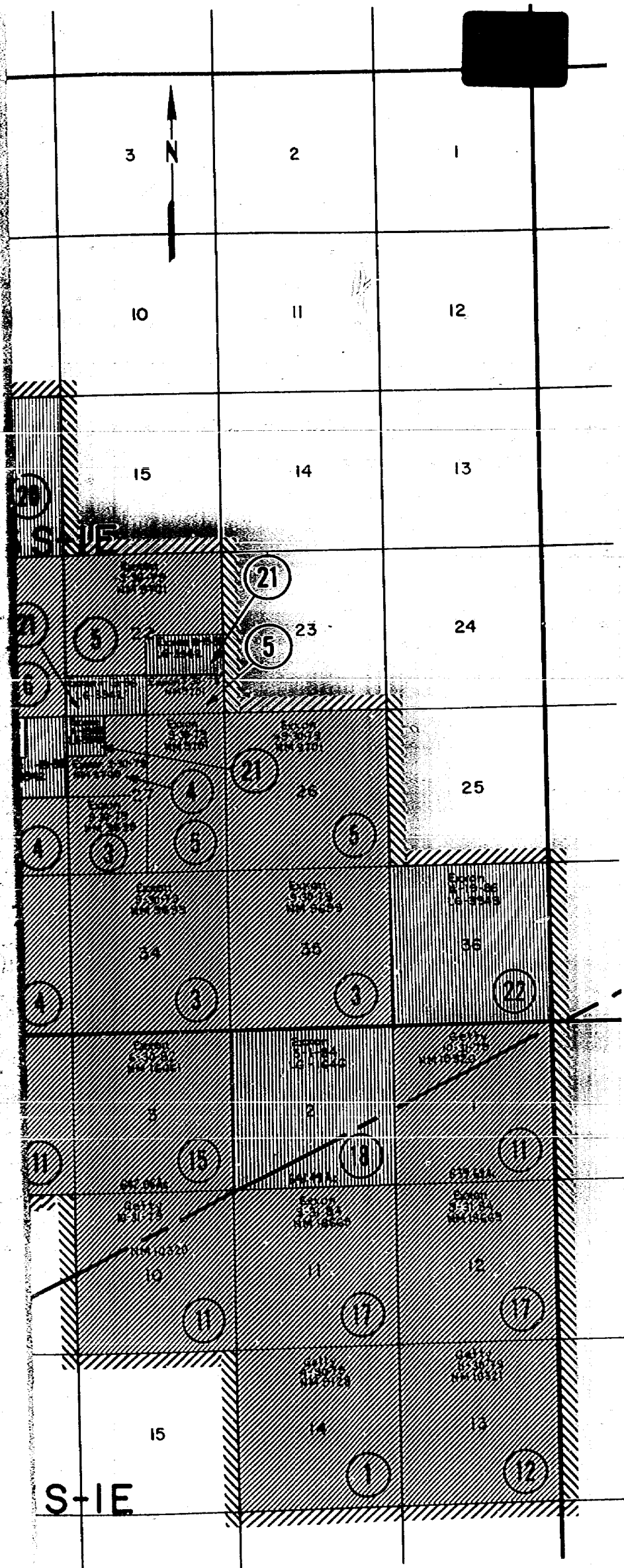


EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENT
<u>FEDERAL LANDS:</u>						
1	All Sec. 14-17S-1E	640.00	NM-9128 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
2	All Secs. 8 & 29-16S-1E	1,280.00	NM-9135 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
3	SW/4 Sec. 27, All Sec. 34, All Sec. 35, T-16-S, R-1-E	1,440.00	NM-9699 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
4	S/2 NW/4 and NE/4 NW/4 Sec. 27; W/2 and SE/4 Sec. 28; All Sec. 30, All Sec. 33-16S-1E	1,871.01	NM-9700 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
5	N/2 and N/2 SW/4, S/2 SE/4 Sec. 22, All Sec. 26, E/2 Sec. 27-16S-1E	1,440.00	NM-9701 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
6	All Sec. 18, All Sec. 19, All Sec. 20, All Sec. 21, T-16-S, R-1-E	2,537.89	NM-9702 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
7	All Sec. 6 and All Sec. 17, T-16-S, R-1-E	1,266.22	NM-9703 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
8	N/2 NW/4, SE/4 NW/4, E/2 Sec. 10; All Sec. 15-16S-1W	1,080.00	NM-9896 12-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
9	All Sec. 7, T-16-S, R-1-E	629.69	NM-10253 8-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
10	All Sec. 24, T-16-S, R-1-W	640.00	NM-10315 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
11	All Sec. 1, Lots 1-3, S/2 N/2, S/2 Sec. 4, and All Sec. 10, T-17-S, R-1-E	1,881.34	NM-10320 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
12	All Sec. 13, T-17-S, R-1-E	640.00	NM-10321 11-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
13	All Sec. 12 and All Sec. 13 T-16-S, R-1-W	1,280.00	NM-10656 2-29-80	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	WORKING INTEREST OWNERS & PERCENTAGE
7S-1E	640.00	NM-9128 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co. - 100%
29-16S-1E	1,280.00	NM-9135 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co. - 100%
All Sec. 34, T-16-S, R-1-E	1,440.00	NM-9699 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
NE/4 NW/4 Sec. E/4 Sec. 28; All Sec. 33-16S-1E	1,871.01	NM-9700 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
N/4, S/2 SE/4 Sec. 26, E/2	1,440.00	NM-9701 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
All Sec. 19, All Sec. 21,	2,537.89	NM-9702 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
All Sec. 17,	1,266.22	NM-9703 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
NW/4, E/2 Sec. 15-16S-1W	1,080.00	NM-9896 12-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
16-S, R-1-E	629.69	NM-10253 8-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. -100%
16-S, R-1-W	640.00	NM-10315 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co.-100%
Sec 1-3, S/2 , and All , R-1-E	1,881.34	NM-10320 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co.-100%
17-S, R-1-E	640.00	NM-10321 11-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co.-100%
All Sec. 13	1,280.00	NM-10656 2-29-80	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANNA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	
<u>FEDERAL LANDS: (Contin'd)</u>							
14	All Sec. 1, All Sec. 11, All Sec. 14, T-16-S, R-1-W	1,919.69	NM-13214 2-28-81	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8- ORR - Beard Oil Co.	
15	All Sec. 3, T-17-S, R-1-E	642.06	NM-16061 6-30-82	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR - Beard Oil Co.	
16	Lot 4 Sec. 4, T-17-S, R-1-E	40.87	NM-16294 7-31-82	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	12 $\frac{1}{2}$ % of 8/8 ORR - Great Western Drlg. Co.	
17	All Sec. 11 & All Sec. 12 T-17-S, R-1-E	1,280.00	NM-18669 3-31-84	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	

TOTAL: 17 TRACTS FEDERAL LANDS - 20,508.77 ACRES, 82.33311% of the UNIT AREA

STATE LANDS:

18	All Sec. 2, T-17-S, R-1-E	641.49	LG-1646 3-1-84	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	
19	All Sec. 2, T-16-S, R-1-W	639.69	LG-1706 3-1-84	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	
20	All Sec. 16, T-16-S, R-1-E	640.00	IG-3941 11-19-86	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	
21	N/2 SE/4 & S/2 SW/4 Sec. 22; NE/4 NW/4 Sec. 27; and NE/4 NE/4 and S/2 NE/4 Sec. 28, T-16-S, R-1-E	320.00	IG-3942 11-19-86	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	
22	All Sec. 32 and All Sec. 36, T-16-S, R-1-E	1,280.00	IG-3943 11-19-86	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	
23	All Sec. 3, T-16-S, R-1-W	639.56	IG-3944 11-19-86	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	
24	SW/4 NW/4 Sec. 10, T-16-S, R-1-W	40.00	LG-3839 10-1-86	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	

TOTAL: 7 TRACTS STATE OF NEW MEXICO LAND - 4,200.74 ACRES, 16.86399% of the UNIT AREA

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EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS
<u>FEE LANDS:</u>						
25	SW/4 Sec. 10, T-16-S, R-1-W	160.00	Exxon Lease No. 635129-001 2-25-86 Lewis D. Cain, Jr. et al	Lewis D. Cain, Jr., et ux - 1/2 of 1/8 Bennie L. Cain, et ux - 1/2 of 1/8	Exxon Corp. All	None
26	NW/4 NE/4 Sec. 28, T-16-S, R-1-E	40.00	Exxon Lease No. 635129-001 2-25-86 Robert M. Timberlake	Robert M. Timberlake - 1/16 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-002 1-23-81 Mrs. Edgar Timberlake	Mrs. Edgar Timberlake - 5/16 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-003 1-23-81 Beverly Timberlake Sutphen	Beverly Timberlake Sutphen - 1/16 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-004 4-26-81 Bonnie Mae Timberlake	Bonnie Mae Timberlake 1/64 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-005 6-23-81 Richard Dudley Timberlake	Richard Dudley Timberlake 3/128 of 1/8	Exxon Corp.-All	None

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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<u>LAND</u>	<u>NO. OF ACRES</u>	<u>LEASE NO. & EXP. DATE OF LEASE</u>	<u>BASIC ROYALTY & PERCENTAGE</u>	<u>LESSEE OF RECORD</u>	<u>OVERRIDING ROYALTY OR PRODUCTION PAYMENTS</u>	<u>WORKING INTEREST OWNERS & PERCENTAGE</u>
16-S, R-1-W	160.00	Exxon Lease No. 635129-001 2-25-86 Lewis D. Cain, Jr. et al	Lewis D. Cain, Jr., et ux - 1/2 of 1/8 Bennie L. Cain, et ux - 1/2 of 1/8	Exxon Corp. All	None	Exxon Corp. - 100%
28,	40.00	Exxon Lease No. 635129-001 2-25-86 Robert M. Timberlake	Robert M. Timberlake - 1/16 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-002 1-23-81 Mrs. Edgar Timberlake	Mrs. Edgar Timberlake - 5/16 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-003 1-23-81 Beverly Timberlake Sutphen	Beverly Timberlake Sutphen - 1/16 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-004 4-26-81 Bonnie Mae Timberlake	Bonnie Mae Timberlake 1/64 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-005 6-23-81 Richard Dudley Timberlake	Richard Dudley Timberlake 3/128 of 1/8	Exxon Corp.-All	None	Exxon Corp.- 100%

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS
FEE LANDS: (Contin'd)						
26	NW/4 NE/4 Sec. 28, (Continued) T-16-S, R-1-E		Exxon Lease No. 635186-001 3-15-81 Lewis D. Cain, Jr., ux - 1/8 of 1/8 et al	Lewis D. Cain, Jr., et ux - 1/8 of 1/8 Bennie L. Cain, et	Exxon Corp.-All	None
			Exxon Lease No. 635088-001 1-12-86 Lois Bagley, et al	Lois Bagley, et al 1/4 of 1/8	Exxon Corp.-All	None
			* Unleased Thomas Edgar Timberlake, III. 3/128	Thomas Edgar Timberlake, III. 3/128 of 1/8	Thomas Edgar Timberlake, III. All	None

TOTAL: 2 FEE TRACTS - 200.00 ACRES, .80290% of the UNIT AREA

GRAND TOTAL: 26 TRACTS COMPRISING 24,909.51 ACRES IN THE UNIT AREA

*The unleased interest of Thomas Edgar Timberlake, III., will be carried by Exxon.

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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<u>NO. OF ACRES</u>	<u>LEASE NO. & EXP. DATE OF LEASE</u>	<u>BASIC ROYALTY & PERCENTAGE</u>	<u>LESSEE OF RECORD</u>	<u>OVERRIDING ROYALTY OR PRODUCTION PAYMENTS</u>	<u>WORKING INTEREST OWNERS & PERCENTAGE</u>
Continued)	Exxon Lease No. 635186-001 3-15-81 Lewis D. Cain, Jr., ux - 1/8 of 1/8 et al	Lewis D. Cain, Jr., et ux - 1/8 of 1/8 Bennie L. Cain, et ux - 1/8 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
	Exxon Lease No. 635088-001 1-12-86 Lois Bagley, et al	Lois Bagley, et al 1/4 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
	* Unleased Thomas Edgar Timberlake, III. 3/128	Thomas Edgar Timberlake, III. 3/128 of 1/8	Thomas Edgar Timberlake, III. All	None	Thomas Edgar Timberlake, III. -100%

ACRES, .80290% of the UNIT AREA

SING 24,909.51 ACRES IN THE UNIT AREA

s Edgar Timberlake, III., will be carried by Exxon.

Unit Name	<u>PRISOR UNIT (EXPLORATORY)</u>
Operator	<u>EXXON CORPORATION</u>
County	<u>SIERRA AND DONA ANA</u>

<u>DATE</u> <u>APPROVED</u>	<u>OCG CASE NO. 5798</u> <u>OCG ORDER NO. R-5319</u>	<u>EFFECTIVE</u> <u>DATE</u>	<u>TOTAL</u> <u>ACREAGE</u>	<u>STATE</u>	<u>FEDERAL</u>	<u>INDIAN FEE</u>
<u>COMMISSIONER</u> 1-20-77	<u>COMMISSION</u> 11-16-76	1-20-77	24,908.53	4,200.74	20,507.79	200.00

UNIT AREA

TOWNSHIP 16 SOUTH, RANGE 1 WEST, NMPM

Sections 1 through 3: All
 Sections 1 through 15: All
 Section 24: All

TOWNSHIP 16 SOUTH, RANGE 1 EAST, NMPM

Sections 6 through 8: All
 Sections 16 Through 22: All
 Sections 26 Through 30: All
 Sections 32 through 36: All

TOWNSHIP 17 SOUTH, RANGE 1 EAST, NMPM

Sections 1 through 4: All
 Sections 10 through 14: All

Unit Name PRISOR UNIT (EXPLORATORY)
 Operator EXXON CORPORATION
 County SIERRA AND DONA ANA

CC CASE NO. 5798	EFFECTIVE	TOTAL	STATE	FEDERAL	INDIAN FEE	SEGREGATION	TERM
CC ORDER NO. R-5319	DATE	ACREAGE				CLAUSE	
COMMISSION 11-16-76	1-20-77	24,908.53	4,200.74	20,507.79	200.00	Yes	5 Yrs.

1 WEST, NMPM
 All
 All
 All

1 EAST, NMPM
 All
 All
 All
 All

1 EAST, NMPM
 All
 All

Unit Name	<u>PRISOR UNIT (EXPLORATORY)</u>
Operator	<u>EXXON CORPORATION</u>
County	<u>SIERRA AND DONA ANA</u>

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED
18	LG-1646	C.S.	2	17S	1E	A11	1-7-77	641.49	
19	LG-1706	C.S.	2	16S	1W	A11	1-7-77	639.69	
20	LG-3941	C.S.	16	16S	1E	A11	1-7-77	640.00	
21	LG-3942	C.S.	{22 27 28	16S 16S 16S	1E 1E 1E	{N/2SE/4, S/2SW/4 NW/4NW/4 NE/4NE/4, S/2NE/4	1-7-77	320.00	
22	LG-3943	C.S.	{32 36	16S 16S	1E 1E	{A11	1-7-77	1,280.00	
23	LG-3944	Wat. Res.	3	16S	1W	A11	1-7-77	639.56	
24	LG-3839	C.S.	10	16S	1W	SW/4NW/4	1-7-77	40.00	

Unit Name	<u>PRISOR UNIT (EXPLORATORY)</u>
Operator	<u>EXXON CORPORATION</u>
County	<u>SIERRA AND DONA ANA</u>

E	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE NOT RATIFIED	LESSEE
						DATE	ACRES		
6	C.S.	2	17S	1E	A11	1-7-77	641.49		EXXON CORPORATION
6	C.S.	2	16S	1W	A11	1-7-77	639.69		EXXON CORPORATION
1	C.S.	16	16S	1E	A11	1-7-77	640.00		EXXON CORPORATION
2	C.S.	{22 27 28	16S 16S 16S	1E 1E 1E	{N/2SE/4, S/2SW/4 NW/4NW/4 NE/4NE/4, S/2NE/4	1-7-77	320.00		EXXON CORPORATION
3	C.S.	{32 36	16S 16S	1E 1E	{A11	1-7-77	1,280.00		EXXON CORPORATION
4	Wat. Res.	3	16S	1W	A11	1-7-77	639.56		EXXON CORPORATION
9	C.S.	10	16S	1W	SW/4NW/4	1-7-77	40.00		EXXON CORPORATION

5198

EXXON COMPANY, U.S.A.
POST OFFICE BOX 1600 • MIDLAND, TEXAS 79701

EXPLORATION DEPARTMENT
SOUTHWESTERN DIVISION

JAN 27 1977

CONSERVATION COMM

January 26, 1977

Re: Prisor Unit Agreement
Sierra and Dona Ana Counties
New Mexico

Regional Oil & Gas Supervisor
United States Geological Survey
Drawer 1857
Roswell, NM 88201

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, NM 87501

Attention: Mr. Carl Traywick

Attention: Mr. Ray D. Graham, Director
Oil and Gas Division

Oil Conservation Commission ✓
State of New Mexico
P. O. Box 2088
Santa Fe, NM 87501

Gentlemen:

With our separate letters to each of you dated January 21, 1977, covering the captioned Unit, you were furnished with various instruments and/or information concerning this Unit. As pointed out by U.S.G.S. in our last meeting with them, the acreage shown on Tract 6 of Exhibit "B" to the Unit Agreement was incorrect and was corrected from 2,537.91 acres to 2,537.89 acres and thus necessitated corrections in Line 23, Page 2 of the Unit Agreement, the total acreage of Federal lands on Page 2 of Exhibit "B" of the Unit Agreement to 20,508.77, the grand total of acreage on Page 4, Exhibit "B", to 24,909.51, and the correction of Exhibit "C" of the Unit Operating Agreement showing Exxon's acreage to be 19,828.17 and the Total thereon to be 24,909.51. All of the foregoing corrections were either made in copies furnished you or you were advised of them; however, we now find that we failed to correct Exhibit "A" (Land Plat) to the Unit Agreement.

A corrected Exhibit "A" (Land Plat) to the Unit Agreement is enclosed herewith for substitution in your copy of the Unit Agreement, and you will note that the Federal Acreage shown has been corrected from 20,508.79 to 20,508.77 and the Total thereon from 24,909.53 acres to 24,909.51 acres.

Yours very truly,

Marvin L. Wigley
Marvin L. Wigley, Supervisor
LAND-UNITIZATION

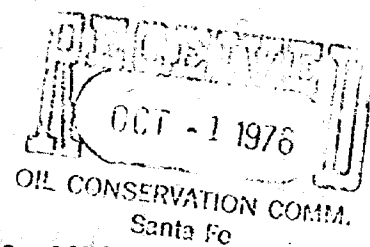
/lpj
Encls.

cc: Getty Oil Company
P. O. Box 1231
Midland, TX 79702, Attn: Mr. Owen M. Barnhill
A DIVISION OF EXXON CORPORATION

5798

EXXON COMPANY, U.S.A.
POST OFFICE BOX 1600 - MIDLAND, TEXAS 79701

PRODUCTION DEPARTMENT
MIDCONTINENT DIVISION



September 28, 1976

File No. 22-3

Prisor Federal Unit Well
No. 1, Wildcat, Sierra County,
New Mexico

U. S. Geological Survey
P. O. Drawer U
Artesia, New Mexico 88210

Attention: Mr. James A. Knauf

Gentlemen:

Attached are six copies of Revision #1 for the Surface Use Plan and map for the above well.

Very truly yours,

Melba Knipling
Melba Knipling
Proration Specialist

Attachments

- 2 cc: Bureau of Land Management
Las Cruces District Office
Box 1420
Las Cruces, New Mexico 88001 (w/attachments)
- cc: Mr. J. E. Kapteina, Engineer
Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

REVISION #1

SURFACE USE PLAN

Exxon Corporation - Prisor Federal Unit, Well No. 1
1,980' FNL & 1,980' FWL, Sec. 20, T-16-S, R-1-E
Lease NM 9702, Sierra County, New Mexico
(Exploratory Well)

1. EXISTING ROADS - Detailed map showing drillsite location in relation to a town or known point and all existing roads within three miles of the wellsite are shown on Exhibit "A".

From Las Cruces go northwest 32 miles on Interstate 25 to the Upham Exit, turn on County Road and go north for 16 miles to Upham, turn east for 1 mile, turn north for $\frac{1}{2}$ mile and then on existing ranch road go easterly for $3\frac{1}{2}$ miles. From this point 4,000 feet of new road is planned. This new road is necessary to bypass an archaeological site along existing ranch road. The road will continue for another 3 miles in a northeasterly direction to an intersection with a Chevron Pipeline and southeasterly down the pipe line right of way for 2,000 feet. From this point 900 feet of new road is planned in an easterly direction to the proposed location.

2. PLANNED ROADS - Refer to Exhibit "A" of proposed roads and cattle guards. We plan to construct approximately 4,900' of new 12' wide road. No culverts or special drainage features are necessary in this area. Low water crossings will be utilized with low places to be caliched. New road is colored red on Exhibit "A".

Colored blue is $6\frac{1}{2}$ miles of unimproved ranch roads which are to be bladed and low places are to be caliched. The center line of the proposed new access road will be staked with flagging being visible from any one stake to the next. Mr. Lewis Cain, Grazing Lessee, has been contacted about replacing the gates with cattle guards at least 12' wide in the south line of Section 19 and the east line of Section 24, T16S, R1W. The road will be bladed and where caliched will be compacted.

A temporary Tramroad Right-of-Way Application and Permit (Form 2800-6) to provide an access road across 19,800 feet of Federal land outside of Exxon's Prisor Federal Unit boundary is being filed with the BLM with appropriate application fee and mileage charge.

3. LOCATION OF EXISTING WELLS - There is no production in the area. The nearest abandoned well is approximately 9 miles away.
4. TANK BATTERIES, PRODUCTION FACILITIES AND LEASE PIPELINES - There are no tank batteries, production facilities or lease pipelines on the lease. If production is established, a tank battery and related production equipment will be constructed on the south side of the caliche pad. All lease lines are to be constructed on top of or buried under the caliche pad with the possible exception of a vent line that will extend not more than 150' from the caliche pad.
5. WATER SUPPLY - A request dated September 28, 1976 is being made to the BLM for use of Estes Tank No. 3, as a water source based on our anticipated use. Estes Tank No. 3 is located in the SE/4 NE/4 Sec. 23, T16S, R1W. The water will be hauled or pumped through a pipe line which will be laid along the access road to

the location. If this source is insufficient, water will be hauled from the nearest commercial source.

6. CONSTRUCTION MATERIAL - Caliche will be obtained from pits in the NW/4 NW/4 and SE/4 NW/4 Sec. 20, T16S, R1E. The caliche will be hauled over existing roads and proposed new or improved roads to the drillsite. The caliche will be purchased by Exxon from the BLM. A contract for Cash Sale of Mineral Materials Application (Form 3600-4) is being filed with the BLM.

7. WASTE DISPOSAL

- a. Drill cuttings will be disposed of in the reserve pit.
- b. Drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry.
- c. Trash, waste paper, garbage and junk will be burned or buried with a minimum of 24" cover. Waste material will be contained to prevent scattering by wind prior to ultimate disposal.
- d. Any produced water will be contained in tanks and be disposed of in an approved manner. Oil produced will be stored in tanks until sold, at which time it will be hauled from location.
- e. Current laws and regulations pertaining to disposal of human waste will be complied with.
- f. If productive, maintenance waste will be placed in special containers and buried or hauled away periodically.

8. ANCILLARY FACILITIES - No camps, airstrips, etc., will be constructed.

9. WELLSITE LAYOUT

- a. Refer to Exhibit "B" for wellsite layout.
- b. Caliche pad size 200' x 250' (with 20 x 25' east extension). Pad size may vary slightly depending on size of drilling rig available.
- c. Terrain at the wellsite is almost flat. Minimum cut and fill will be required.
- d. The pad will be topped with 6 inches of bladed, watered and compacted caliche.
- e. Reserve pit will be approximately 130' x 150' joining the caliche pad on the north.

10. RESTORATION OF SURFACE - At the completion of the well, the pits will be backfilled and leveled as soon as practical after allowing them to dry. Waste materials will be burned or buried with at least 24" of cover. At the time of final abandonment, other USGS and BLM restoration stipulations will be complied with.

11. OTHER INFORMATION

- a. Just prior to completion of the well, four or five shot holes, 150 feet deep, 50 feet apart located approximately 750 feet north and south or east and west of the well will be drilled. The holes will be plugged immediately after they are utilized to obtain seismic data. No roads

will be built to the shot holes and minimum environmental disturbance will result.

b. Setting and Environment

Terrain - Flat. See Exhibit "A", topographic map of area.

Soil - Sandy soil

Vegetation - Sparse vegetation, being mostly greasewood, shinnery and other semi-desert plants, with very little grass.

c. Distances to Nearest:

Ponds and streams - There are no surface waters within 1 mile.

Water Wells - There are two windmills located 6,000' to the northwest and 6,500' to the southeast of the location.

Residences and buildings - there are no houses or buildings within $\frac{1}{2}$ mile.

Arroyos, Canyons, Hills, etc. - There are no surface features within $\frac{1}{2}$ mile.

d. Surface Use - Grazing and hunting.

e. Effect on Environment - Drillsite, which is in flat semi-arid desert country, is in a low environmental risk area. The total effect of drilling and producing this and other wells in this area would be minimal.

f. Surface Ownership - The proposed drillsite is on Federal surface with a grazing permit issued by BLM to Mr. Lewis Cain. We are securing a road easement for a portion of the existing ranch road which crosses land owned by the State of New Mexico. State lands to be crossed are the E/2 of Sec. 21, excepting the SW/4 of the SE/4 and the S/2 of Sec. 22, T16S, R1W, as shown on Exhibit "A". Exxon will comply with all terms, conditions and requirements of the State of New Mexico in granting this easement including restoration of surface. Operations will be conducted on Federal land or State owned land. There will be no operations on privately owned land.

g. Pipeline - Chevron Pipeline is located approximately 1,000' west of the location, running generally in a north-south direction which will be crossed by the new road to be constructed. Exxon has notified Chevron and obtained their consent to use the existing pipeline service road. Exxon will take precautions to protect the pipeline.

h. Open Pits - All unattended pits containing mud or other liquids will be fenced.

- i. Well Sign - Sign identifying and locating well will be maintained at drillsite commencing with the spudding of the well.

12. OPERATOR'S REPRESENTATIVE - Field representative who can be contacted concerning compliance of this Surface Use Plan is:

W. R. Wardroup
P. O. Box 1600
Midland, TX 79701
Office Phone: 915-684-4411
Home Phone : 915-694-5067

13. CERTIFICATION - I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Exxon Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. A copy of this plan will be posted at the wellsite during the drilling of the well for reference by all contractors and subcontractors.

Date September 27, 1976

W. R. Wardroup
W. R. Wardroup
Division Drilling Manager

REVISION #1

SURFACE USE PLAN

Exxon Corporation - Prisor Federal Unit, Well No. 1
1,980' FNL & 1,980' FWL, Sec. 20, T-16-S, R-1-E
Lease NM 9702, Sierra County, New Mexico
(Exploratory Well)

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- i. Well Sign - Sign identifying and locating well will be maintained at drillsite commencing with the spudding of the well.

12. OPERATOR'S REPRESENTATIVE - Field representative who can be contacted concerning compliance of this Surface Use Plan is:

W. R. Wardroup
P. O. Box 1600
Midland, TX 79701
Office Phone: 915-684-4411
Home Phone : 915-694-5067

13. CERTIFICATION - I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Exxon Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. A copy of this plan will be posted at the wellsite during the drilling of the well for reference by all contractors and subcontractors.

Date September 27, 1976

W. R. Wardroup
W. R. Wardroup
Division Drilling Manager

Unit Name PRISOR UNIT (EXPLORATORY)
 Operator EXXON CORPORATION
 County SIERRA AND DONA ANA

No. 5798

DATE APPROVED	OCC CASE NO. 5798 OCC ORDER NO. R-5319	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGR CL
<u>COMMISSIONER</u> 1-20-77	<u>COMMISSION</u> 11-16-76	1-20-77	24,908.53	4,200.74	20,507.79	200.00	Y

UNIT AREA

TOWNSHIP 16 SOUTH, RANGE 1 WEST, NMPM

Sections 1 through 3: A11
 Sections 1 through 15: A11
 Section 24: A11

TOWNSHIP 16 SOUTH, RANGE 1 EAST, NMPM

Sections 6 through 8: A11
 Sections 16 Through 22: A11
 Sections 26 Through 30: A11
 Sections 32 through 36: A11

TOWNSHIP 17 SOUTH, RANGE 1 EAST, NMPM

Sections 1 through 4: A11
 Sections 10 through 14: A11

TERMINATED
 EH: 9-1-77

Unit Name PRISOR UNIT (EXPLORATORY)
Operator EXXON CORPORATION
County SIERRA AND DONA ANA

No. 5798

CASE NO. 5798	EFFECTIVE	TOTAL	STATE	FEDERAL	INDIAN FEE	SEGREGATION	TERM
ORDER NO. R-5319	DATE	ACREAGE				CLAUSE	
MISSION 16-76	1-20-77	24,908.53	4,200.74	20,507.79	200.00	Yes	5 Yrs.

WEST. NMPM
All
All
All

EAST. NMPM
All
All
All
All

LAST. NMPM
All
All

TERMINATED
EH: 9-1-77

Unit Name	<u>PRISOR UNIT (EXPLORATORY)</u>
Operator	<u>EXXON CORPORATION</u>
County	<u>SIERRA AND DONA ANA</u>

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED
18	LG-1646	C.S.	2	17S	1E	A11	1-7-77	641.49	
19	LG-1706	C.S.	2	16S	1W	A11	1-7-77	639.69	
20	LG-3941	C.S.	16	16S	1E	A11	1-7-77	640.00	
21	LG-3942	C.S.	{ 22 27 28	16S 16S 16S	1E 1E 1E	{ N/2SE/4, S/2SW/4 NW/4NW/4 NE/4NE/4, S/2NE/4	1-7-77	320.00	
22	LG-3943	C.S.	{ 32 36	16S 16S	1E 1E	{ A11	1-7-77	1,280.00	
23	LG-3944	Wat. Res.	3	16S	1W	A11	1-7-77	639.56	
24	LG-3839	C.S.	10	16S	1W	SW/4NW/4	1-7-77	40.00	

TERMINATED
 2/11 9-1-77

Unit Name	<u>PRISOR UNIT (EXPLORATORY)</u>
Operator	<u>EXXON CORPORATION</u>
County	<u>SIERRA AND DONA ANA</u>

INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
C.S.	2	17S	1E	A11	1-7-77	641.49		EXXON CORPORATION
C.S.	2	16S	1W	A11	1-7-77	639.69		EXXON CORPORATION
C.S.	16	16S	1E	A11	1-7-77	640.00		EXXON CORPORATION
C.S.	{ 22 27 28	16S 16S 16S	1E 1E 1E	{ N/2SE/4, S/2SW/4 NW/4NW/4 NE/4NE/4, S/2NE/4	1-7-77	320.00		EXXON CORPORATION
C.S.	{ 32 36	16S 16S	1E 1E	{ A11	1-7-77	1,280.00		EXXON CORPORATION
Wat. Res.	3	16S	1W	A11	1-7-77	639.56		EXXON CORPORATION
C.S.	10	16S	1W	SW/4NW/4	1-7-77	40.00		EXXON CORPORATION

TERMINATED
 2/11 9-1-77

CLARENCE E. HINKLE
W. E. BONDURANT, JR. (94-1973)
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. O. MARTIN
PAUL J. KELLY, JR.

JAMES H. BOZARTH
RONALD G. HARRIS
JAMES H. ISBELL
DOUGLAS L. LUNSFORD
PAUL M. BOHANNON

LAW OFFICES
HINKLE, BONDURANT, COX & EATON
521 MIDLAND TOWER
MIDLAND, TEXAS 79701

TELEPHONE (915) 683-4691

ONLY MESSRS COFFIELD, MARTIN,
BOZARTH, ISBELL & BOHANNON
LICENSED IN TEXAS

ROSWELL, NEW MEXICO OFFICE
600 HINKLE BUILDING
(505) 622-6510

October 19, 1976

EX-107
OCT 23 1976
OIL CONSERVATION COMMISSION
Santa Fe

Case 5798

Mr. Dan Nutter
Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Exxon Corporation -- Prisor Unit

Dear Dan:

Per our telephone conversation today, transmitted herewith you will find copies of an Application in connection with the above referenced unit, requesting that this be set on the docket for November 10, 1976.

After your review of this application, if you find there is any additional information or other items which are needed or which are desirable for the Commission's purposes in this connection, please let me know immediately.

Thank you.

Very truly yours,

HINKLE, BONDURANT, COX & EATON


Conrad E. Coffield

CEC:lw
Enclosures

xc: Mr. Jack A. Dalious
Exxon Corporation
Post Office Box 1600
Midland, Texas 79701

xc: Mr. Dwight Johnson
Exxon Corporation
Post Office Box 1600
Midland, Texas 79701



IN REPLY REFER TO:

United States Department of the Interior

GEOLOGICAL SURVEY
Denver Federal Center
Denver, Colorado 80225

JUN 23 1976

Exxon Company, U.S.A.
P. O. Box 1600
Midland, Texas 79701

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 4
CASE NO. 5798
Submitted by Exxon
Hearing Date 11-10-76

Gentlemen:

Your application of June 4, 1976, filed with the Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Prisor unit area embracing 24,910.78 acres more or less, Sierra and Dona Anna Counties, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended. Our computation of acreage embraced within the proposed unit boundaries is 24,908.53, containing 20,507.79 acres of Federal lands, 4,200.74 acres State of New Mexico lands, and 200.00 acres of Fee lands.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Prisor Unit" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the entire Pennsylvanian section or to a depth of 10,000 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application provided it is further modified as follows:

Add the words "as amended" after (30 F.R. 12319) in Section 26, Nondiscrimination.

If the conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Oil and Gas Supervisor for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However,

notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Supervisor for approval include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this unit agreement involves State land, we are sending a copy of this letter to the State Board of Land Commissioners. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

George H. Horn



DIRECTOR
JOE D. RAMEY

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

LAND COMMISSIONER
PHIL R. LUCERO
November 16, 1976



STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Clarence Hinkle
Hinkle, Bondurant, Cox & Eaton
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: CASE NO. 5798
ORDER NO. R-5319

Applicant:

Exxon Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC X

Other Conrad Coffield



State of New Mexico



TELEPHONE
505-827-2748

Commissioner of Public Lands

November 1, 1976

PHIL R. LUCERO
COMMISSIONER

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Exxon Company
P. O. Box 1600
Midland, Texas 79701

Re: Proposed Prisor Unit
Sierra and Dona Anna Counties,
New Mexico

ATTENTION: Mr. Dwight N. Johnson

Gentlemen:

We have reviewed the unexecuted copy of unit agreement and Exhibit "B". The form of agreement meets the requirements of the Commissioner of Public Lands, therefore, the Commissioner has this date approved your agreement as to form and content.

When submitting the unit agreement for final approval please submit Exhibit "A".

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY: *Ray D. Graham*
RAY D. GRAHAM, Director
Oil and Gas Division

PRL/RDG/s

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
<i>CH</i>	EXHIBIT NO. <i>5</i>
CASE NO. <i>5798</i>	
Submitted by	<i>E. von</i>
Hearing Date	<i>11-10-76</i>

RECEIVED
MIDLAND

NOV 3 1976

EXXON
Land Section

Docket No. 31-76

Dockets Nos. 32-76 and 33-76 are tentatively set for hearing on November 23 and December 15, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 10, 1976

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stanets, Examiner, or Daniel S. Mutter, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for December, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.

(2) Consideration of the allowable production of gas for December, 1976, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5796: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Hixon Development Company, National Surety Corporation, and all other interested parties to appear and show cause why the Central Bisti Unit Wells Nos. 41, 46, 47, 49 and 50 located in Units D, I, K, M, and O, respectively, of Section 16, Township 25 North, Range 12 West, Bisti-Lower Gallup Pool, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5798: Application of Exxon Corporation for a unit agreement, Sierra and Dona Ana Counties, New Mexico. Applicant, in the above-styled cause, seeks approval for the Prisor Unit Area comprising 24,910 acres, more or less, of State, Federal, and fee lands in Townships 16 and 17 South, Ranges 1 East and 1 West, Sierra and Dona Ana Counties, New Mexico.

CASE 5799: Application of Gulf Oil Corporation for an unorthodox gas well location and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard proration unit comprising the NE/4 SW/4 and W/2 SE/4 of Section 28 and the NW/4 NE/4 of Section 33, Township 21 South, Range 37 East, Tubb Gas Pool, Lea County, New Mexico, to be dedicated to applicant's J. N. Carson Well No. 9 located at an unorthodox location 1874 feet from the South line and 2086 feet from the West line of said Section 28.

CASE 5809: Application of Gulf Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Drinkard, Tubb, and Blinbry production in the wellbore of its Manda "B" Well No. 1, located in Unit C of Section 28, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 5800: Application of Yates Petroleum Corporation for salt water disposal well, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Morrow formation through the perforated interval from 8983 feet to 9129 feet in its Bob Gushwa Well No. 1 located in Unit J of Section 21, Township 18 South, Range 26 East, Atoka-Pennsylvanian Gas Pool, Eddy County, New Mexico.

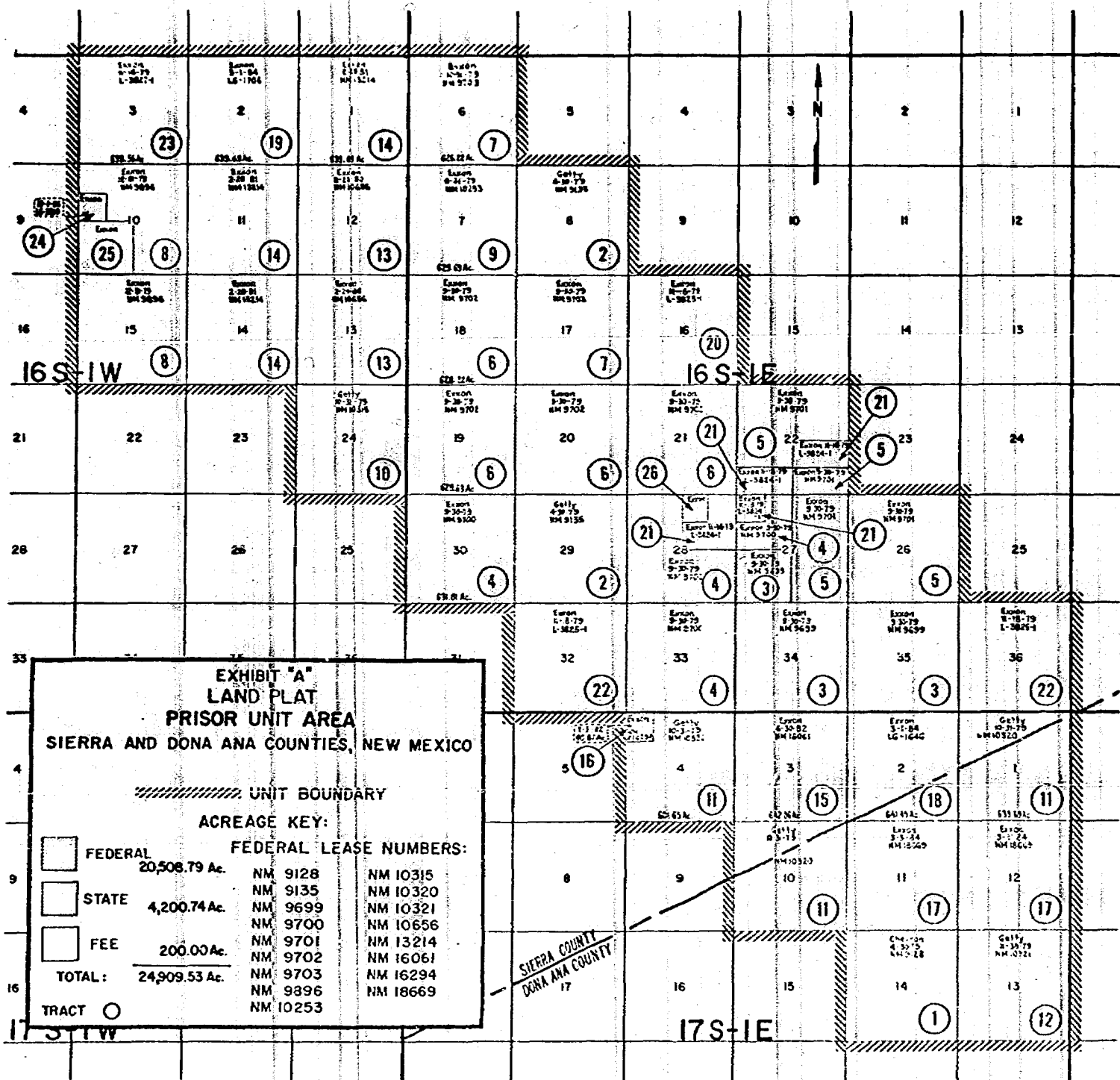
CASE 5801: Application of Atlantic Richfield Company for a non-standard proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 275-acre non-standard gas proration unit comprising the W/2 E/2, N/2 NW/4, and SE/4 NW/4 of Section 19, Township 21 South, Range 36 East, Dumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State 176 Wells Nos. 3 and 6 located, at unorthodox locations in Units J and C, respectively, of said Section 19.

CASE 5802: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle South Blanco-Pictured Cliffs and Blanco Mesaverue production in the wellbore of its San Juan 28-7 Unit Well No. 75 located in Unit L of Section 15, Township 28 North, Range 7 West, Rio Arriba County, New Mexico.

CASE 5803: Application of El Paso Co., Inc., for downhole commingling and simultaneous dedication, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Fruitland and Pictured Cliffs gas production in the wellbore of its Valdez "A" Well No. 1, located in Unit P of Section 24, Township 29 North, Range 11 West, San Juan County, New Mexico. Applicant further seeks approval for the simultaneous dedication of the SE/4 of said Section 24 to said well and its Valdez Well No. 1 located in Unit I of said Section 24.

CASE 5804: Application of Stevens Oil Company for a dual completion, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its O'Brien "C" Well No. 2 located in Unit D of Section 1, Township 9 South, Range 28 East, Chaves County, New Mexico, to produce oil from the San Andres and Devonian formations through parallel strings of tubing.

- CASE 5805: Application of Morris R. Antwell for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Morrow formations underlying the N/2 of Section 3, Township 22 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location in Unit G of said Section 3. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5806: Application of Anadarko Production Company for two unorthodox well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations of its Artesia State Unit Well No. 9-5 to be drilled 1270 feet from the North line and 50 feet from the East line of Section 23 and its Artesia State Unit Well No. 2-3 to be drilled 50 feet from the South line and 1270 feet from the West line of Section 13, both in Township 18 South, Range 27 East, Artesia Queen-Grayburg-San Andres Pool, Eddy County, New Mexico.
- CASE 5797: Application of C&K Petroleum, Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Dallas Ranch Unit Area comprising 5746 acres, more or less, of State, Federal, and fee lands in Township 9 South, Range 26 East, Chaves County, New Mexico.
- CASE 5807: Application of C&K Petroleum, Inc., for compulsory pooling and a non-standard unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 13, Township 22 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, to form a non-standard 336.6-acre unit to be dedicated to a well located 1680 feet from the North line and 1980 feet from the East line of said Section 13. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5808: Application of C&K Petroleum, Inc., for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down to and including the Pennsylvanian formation underlying the SE/4 SE/4, NE/4 SE/4, NW/4 SE/4, and SW/4 SE/4 of Section 21, Township 16 South, Range 37 East, Lea County, New Mexico, to form four 40-acre oil proration units, the first to be dedicated to a well to be drilled at a point 660 feet from the South and East line of said Section 21 to test the Strawn formation and each of the others to a well subsequently drilled thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.
- CASE 5785: (Continued from October 27, 1976 Examiner Hearing)
Application of Doyle Hartman for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Seven Rivers-Queen formation underlying the NE/4 NE/4, NW/4 NE/4, SW/4 NE/4, and SE/4 NE/4 of Section 19, Township 24 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, to form four 40-acre proration units to be dedicated to four oil wells to be drilled at standard locations on said tracts. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.
- CASE 5790: Application of Dome Petroleum Corporation for pool creation and assignment of a discovery allowable, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Entrada production and the assignment of approximately 58,770 barrels of oil discovery allowable to the discovery well, being the Federal 21 Well No. 1 located in Unit K of Section 21, Township 20 North, Range 5 West, McKinley County, New Mexico.
- CASE 5776: (Continued from October 27, 1976, Examiner Hearing)
Application of Continental Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its James Ranch Unit Well No. 8 to be drilled at a point 1980 feet from the North line and 660 feet from the West line of Section 31, Township 22 South, Range 31 East, Los Medanos-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 31 to be dedicated to the well.



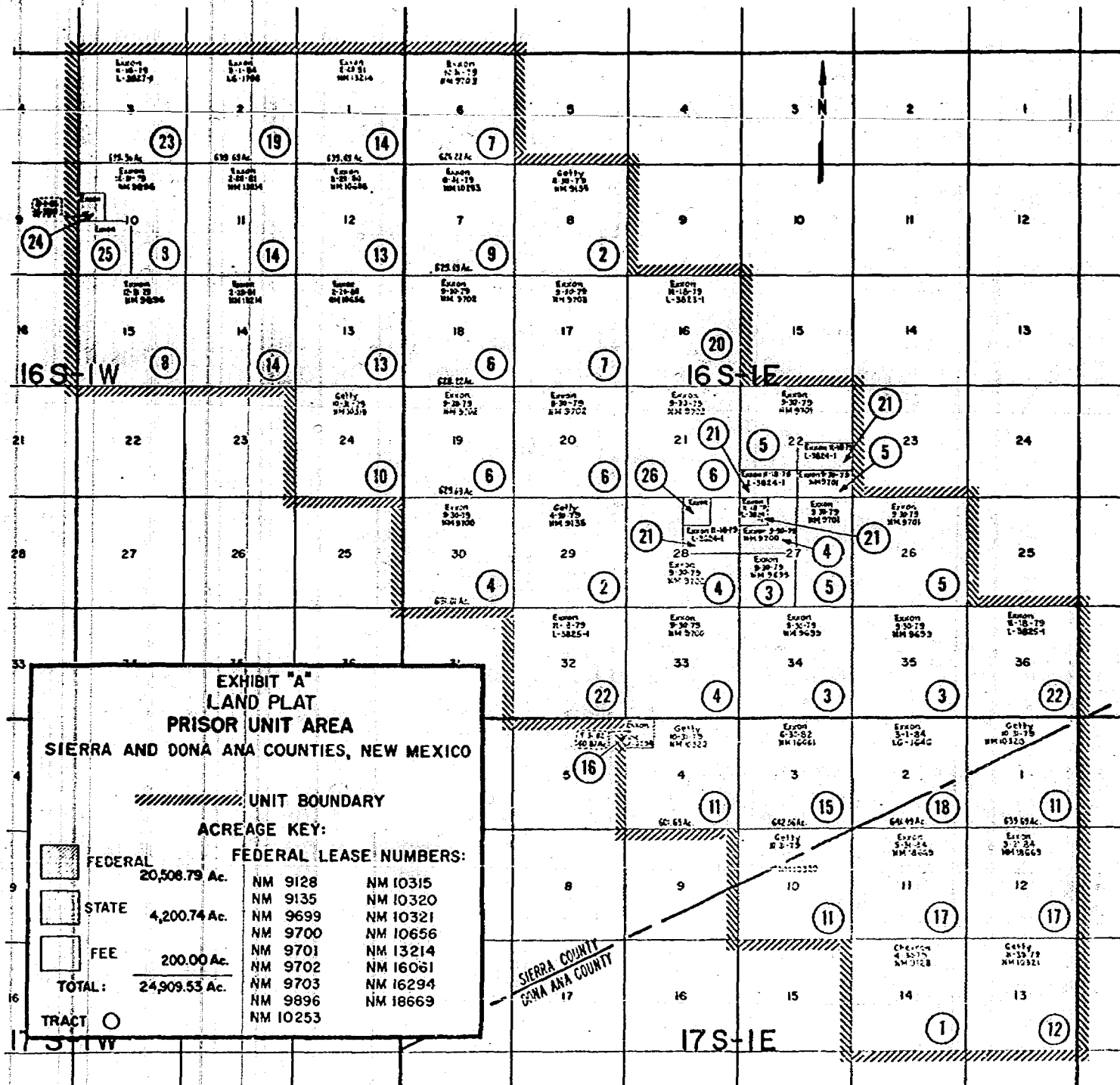


EXHIBIT "A"
LAND PLAT
PRISOR UNIT AREA
SIERRA AND DONA ANA COUNTIES, NEW MEXICO

UNIT BOUNDARY

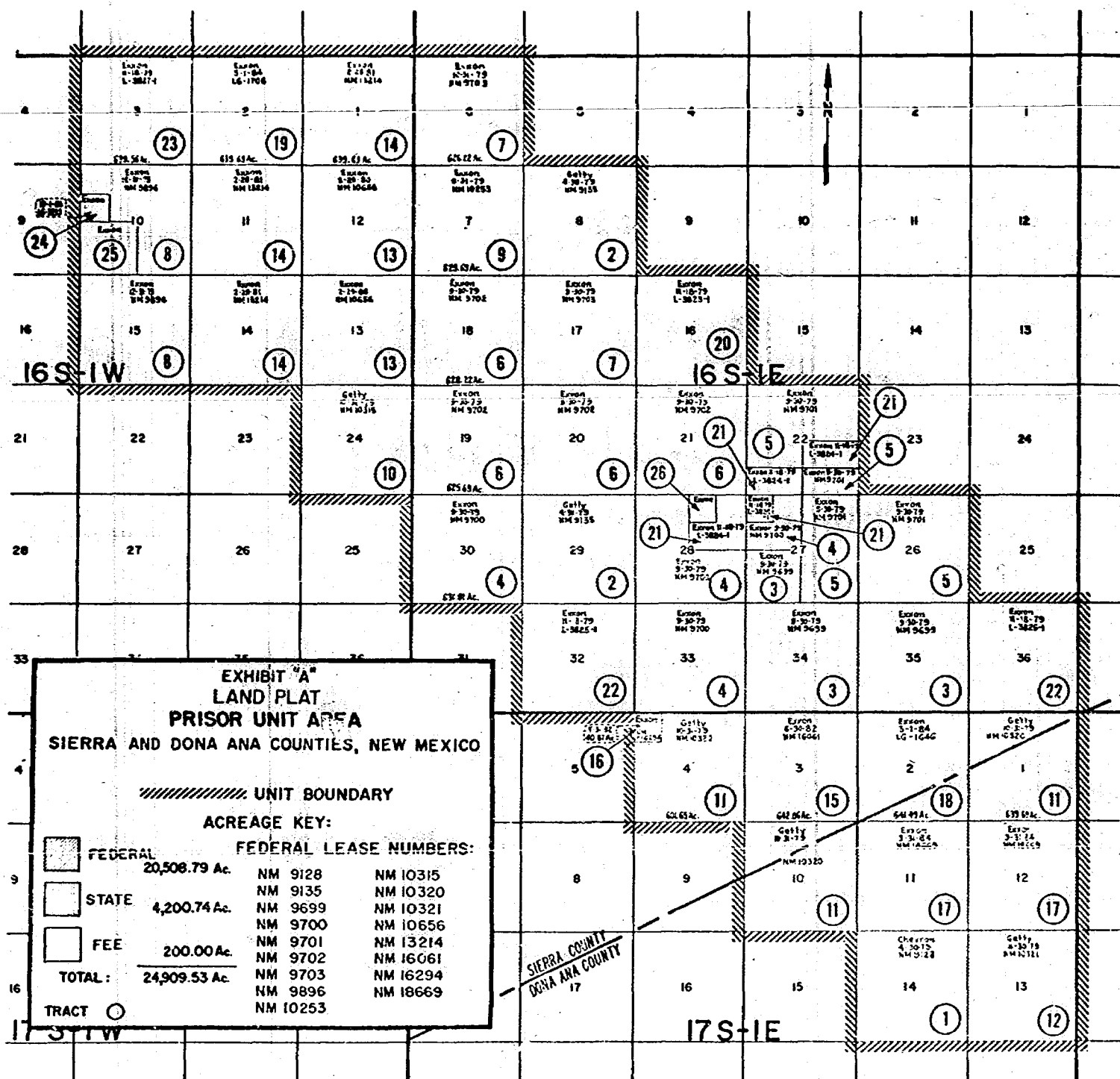
ACREAGE KEY:

FEDERAL	20,508.79 Ac.
STATE	4,200.74 Ac.
FEE	200.00 Ac.
TOTAL:	24,909.53 Ac.

TRACT ○

FEDERAL LEASE NUMBERS:

NM 9128	NM 10315
NM 9135	NM 10320
NM 9699	NM 10321
NM 9700	NM 10656
NM 9701	NM 13214
NM 9702	NM 16061
NM 9703	NM 16294
NM 9896	NM 18669
NM 10253	



PRISOR UNIT AGREEMENT

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
PRISOR UNIT AREA
COUNTIES OF SIERRA AND DONA ANA
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT entered into as of the _____ day of _____, 1976,
by and between the parties subscribing, ratifying or consenting hereto, and herein
referred to as the "parties hereto".

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other
gas interests in the unit area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as
amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their repre-
sentatives to unite with each other or jointly or separately with others, in col-
lectively adopting and operating a cooperative or unit plan of development or
operation of any oil or gas pool, field, or like area, or any part thereof for the
purpose of more properly conserving the natural resources thereof whenever deter-
mined and certified by the Secretary of the Interior to be necessary or advisable
in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated)
to consent to or approve this agreement on behalf of the State of New Mexico, inso-
far as it covers and includes lands and mineral interests of the State of New
Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is
authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9, Part 2,
1953 Statutes) to approve this agreement and the conservation provisions hereof;
and

1 WHEREAS, the parties hereto hold sufficient interests in the Frisor 1
2 Unit Area covering the land hereinafter described to give reasonably effective 2
3 control of operations therein; and 3

4 WHEREAS, it is the purpose of the parties hereto to conserve natural re- 4
5 sources, prevent waste, and secure other benefits obtainable through development 5
6 and operation of the area subject to this agreement under the terms, conditions 6
7 and limitations herein set forth; 7

8 NOW, THEREFORE, in consideration of the premises and the promises herein 8
9 contained, the parties hereto commit to this agreement their respective interests in 9
10 the below-defined unit area, and agree severally among themselves as follows: 10

11 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 11
12 1920, as amended, supra, and all valid pertinent regulations, including operating 12
13 and unit plan regulations, heretofore issued thereunder or valid, pertinent and 13
14 reasonable regulations hereafter issued thereunder are accepted and made a part of 14
15 this agreement as to Federal lands, provided such regulations are not inconsistent 15
16 with the terms of this agreement; and as to non-Federal lands, the oil and gas operat- 16
17 ing regulations in effect as of the effective date hereof governing drilling and pro- 17
18 ducing operations, not inconsistent with the terms hereof or the laws of the State of 18
19 which the non-Federal land is located, are hereby accepted and made a part of this 19
20 agreement. 20

21 2. UNIT AREA. The area specified on the map attached hereto marked Exhibit 21
22 "A" is hereby designated and recognized as constituting the unit area, containing 22
23 24,909.53 acres, more or less. 23

24 Exhibit "A" shows, in addition to the boundary of the unit area, the bounda- 24
25 ries and identity of tracts and leases in said area to the extent known to the Unit 25
26 Operator. Exhibit "B" attached hereto is a schedule showing, to the extent known to 26
27 the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas inter- 27
28 ests in all land in the unit area. However, nothing herein or in said schedule or map 28
29 shall be construed as a representation by any party hereto as to the ownership of any 29
30 interest other than such interest or interests as are shown in said map or schedule 30

1 as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator 1
2 whenever changes in the unit area render such revision necessary, or when requested 2
3 by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when re- 3
4 quested by the Commissioner of Public Lands of the State of New Mexico, hereinafter 4
5 referred to as "Commissioner", and not less than five copies of the revised exhibits 5
6 shall be filed with the Supervisor, and two copies thereof shall be filed with the 6
7 Commissioner, and one copy with the New Mexico Oil Conservation Commission, herein- 7
8 after referred to as "Commission". 8

9 The above-described unit area shall when practicable be expanded to include 9
10 therein any additional lands or shall be contracted to exclude lands whenever such 10
11 expansion or contraction is deemed to be necessary or advisable to conform with the 11
12 purposes of this agreement. Such expansion or contraction shall be effected in the 12
13 following manner: 13

14 (a) Unit Operator, on its own motion or on demand of the Director of the 14
15 Geological Survey, hereinafter referred to as "Director", or on demand of the Com- 15
16 missioner, after preliminary concurrence by the Director and the Commissioner, shall 16
17 prepare a notice of proposed expansion or contraction describing the contemplated 17
18 changes in the boundaries of the unit area, the reasons therefor, and the proposed 18
19 effective date thereof, preferably the first day of a month subsequent to the date 19
20 of notice. 20

21 (b) Said notice shall be delivered to the Supervisor, the Commissioner 21
22 and the Commission and copies thereof mailed to the last known address of each work- 22
23 ing interest owner, lessee, and lessor whose interests are affected, advising that 23
24 30 days will be allowed for submission to the Unit Operator of any objections. 24

25 (c) Upon expiration of the 30-day period provided in the preceding item 25
26 (b) hereof, Unit Operator shall file with the Supervisor, the Commissioner and the 26
27 Commission evidence of mailing of the notice of expansion or contraction and a copy 27
28 of any objections thereto which have been filed with the Unit Operator, together 28
29 with an application in sufficient number, for approval of such expansion or con- 29
30 traction and with appropriate joinders. 30

1 (d) After due consideration of all pertinent information, the expansion 1
2 or contraction shall, upon approval by the Supervisor, the Commissioner and the Com- 2
3 mission, become effective as of the date prescribed in the notice thereof. 3

4 (e) All legal subdivisions of land (i.e., 40 acres by Government survey 4
5 or its nearest lot or tract equivalent; in instances of irregular surveys unusually 5
6 large lots or tracts shall be considered in multiples of 40 acres or the nearest ali- 6
7 quot equivalent thereof), no parts of which are entitled to be in a participating 7
8 area on or before the fifth anniversary of the effective date of the first initial 8
9 participating area established under this unit agreement, shall be eliminated auto- 9
10 matically from this agreement, effective as of said fifth anniversary, and such 10
11 lands shall no longer be a part of the unit area and shall no longer be subject to 11
12 this agreement, unless diligent drilling operations are in progress on unitized lands 12
13 not entitled to participation on said fifth anniversary, in which event all such 13
14 lands shall remain subject hereto so long as such drilling operations are continued 14
15 diligently with not more than 90 days' time elapsing between the completion of one 15
16 such well and the commencement of the next such well. All legal subdivisions of lands 16
17 not entitled to be in a participating area within 10 years after the effective 17
18 date of the first initial participating area approved under this agreement shall 18
19 be automatically eliminated from this agreement as of said tenth anniversary. All 19
20 lands proved productive by diligent drilling operations after the aforesaid 5-year 20
21 period shall become participating in the same manner as during said 5-year period. 21
22 However, when such diligent drilling operations cease, all nonparticipating lands 22
23 shall be automatically eliminated effective as of the 91st day thereafter. The Unit 23
24 Operator shall, within 90 days after the effective date of any elimination hereunder, 24
25 describe the area so eliminated to the satisfaction of the Supervisor and the Commis- 25
26 sioner, and promptly notify all parties in interest. 26

27 If conditions warrant extension of the 10-year period specified in this 27
28 subsection 2(e), a single extension of not to exceed 2 years may be accomplished by 28
29 consent of the owners of 90% of the working interests in the current nonparticipat- 29
30 ing unitized lands and the owners of 60% of the basic royalty interests (exclusive 30

1 of the basic royalty interests of the United States) in nonparticipating unitized 1
2 lands with approval of the Director and Commissioner, provided such extension appli- 2
3 cation is submitted to the Director and Commissioner not later than 60 days prior to 3
4 the expiration of said 10-year period. 4

5 Any expansion of the unit area pursuant to this section which embraces 5
6 lands theretofore eliminated pursuant to this subsection 2(e) shall not be consider- 6
7 ed automatic commitment or recommitment of such lands. 7

8 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 8
9 agreement shall constitute land referred to herein as "unitized land" or "land sub- 9
10 ject to this agreement". All oil and gas in any and all formations of the unitized 10
11 land are unitized under the terms of this agreement and herein are called "unitized 11
12 substances". 12

13 4. UNIT OPERATOR. Exxon Corporation is hereby designated as Unit Operator 13
14 and by signature hereto as Unit Operator agrees and consents to accept the duties 14
15 and obligations of Unit Operator for the discovery, development, and production of 15
16 unitized substances as herein provided. Whenever reference is made herein to the 16
17 Unit Operator, such reference means the Unit Operator acting in that capacity and not 17
18 as an owner of interest in unitized substances, and the term "working interest owner" 18
19 when used herein shall include or refer to Unit Operator as the owner of a working 19
20 interest when such an interest is owned by it. 20

21 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the 21
22 right to resign at any time prior to the establishment of a participating area or 22
23 areas hereunder, but such resignation shall not become effective so as to release 23
24 Unit Operator from the duties and obligations of Unit Operator and terminate Unit 24
25 Operator's rights as such for a period of 6 months after notice of intention to re- 25
26 sign has been served by Unit Operator on all working interest owners and the Super- 26
27 visor, the Commissioner and the Commission, and until all wells then drilled here- 27
28 under are placed in a satisfactory condition for suspension or abandonment which- 28
29 ever is required by the Supervisor as to Federal lands and by the Commission as to 29
30 State and privately owned lands, unless a new Unit Operator shall have been selected 30

1 and approved and shall have taken over and assumed the duties and obligations of Unit 1
2 Operator prior to the expiration of said period. 2

3 Unit Operator shall have the right to resign in like manner and subject to 3
4 like limitations as above provided at any time a participating area established here- 4
5 under is in existence, but, in all instances of resignation or removal, until a suc- 5
6 cessor Unit Operator is selected and approved as hereinafter provided, the working 6
7 interest owners shall be jointly responsible for performance of the duties of Unit 7
8 Operator, and shall, not later than 30 days before such resignation or removal be- 8
9 comes effective, appoint a common agent to represent them in any action to be taken 9
10 hereunder. 10

11 The resignation of Unit Operator shall not release Unit Operator from any 11
12 liability for any default by it hereunder occurring prior to the effective date of 12
13 its resignation. 13

14 The Unit Operator may, upon default or failure in the performance of its 14
15 duties or obligations hereunder, be subject to removal by the same percentage vote 15
16 of the owners of working interests as herein provided for the selection of a new 16
17 Unit Operator. Such removal shall be effective upon notice thereof to the Supervi- 17
18 sor and the Commissioner. 18

19 The resignation or removal of Unit Operator under this agreement shall not 19
20 terminate its rights, title or interest as the owner of a working interest or other 20
21 interest in unitized substances, but upon the resignation or removal of Unit Opera- 21
22 tor becoming effective, such Unit Operator shall deliver possession of all wells, 22
23 equipment, materials and appurtenances used in conducting the unit operations to the 23
24 new duly qualified successor Unit Operator or to the common agent, if no such new 24
25 Unit Operator is elected, to be used for the purpose of conducting unit operations 25
26 hereunder. Nothing herein shall be construed as authorizing removal of any mate- 26
27 rial, equipment and appurtenances needed for the preservation of any wells. 27

28 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his 28
29 or its resignation as Unit Operator or shall be removed as hereinabove provided, or 29
30 a change of Unit Operator is negotiated by working interest owners, the owners of the 30

1 working interests in the participating area or areas according to their respective 1
2 acreage interests in such participating area or areas, or, until a participating 2
3 area shall have been established, the owners of the working interests according to 3
4 their respective acreage interests in all unitized land, shall by majority vote 4
5 select a successor Unit Operator: Provided, That, if a majority but less than 75 5
6 per cent of the working interests qualified to vote are owned by one party to this 6
7 agreement, a concurring vote of one or more additional working interest owners shall 7
8 be required to select a new operator. Such selection shall not become effective 8
9 until 9

10 (a) a Unit Operator so selected shall accept in writing the duties and re- 10
11 sponsibilities of Unit Operator, and 11

12 (b) the selection shall have been approved by the Supervisor and the Com- 12
13 missioner. 13

14 If no successor Unit Operator is selected and qualified as herein provid- 14
15 ed, the Director and Commissioner at their election may declare this unit agreement 15
16 terminated. 16

17 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 17
18 Operator is not the sole owner of working interest, costs and expenses incurred by 18
19 Unit Operator in conducting unit operations hereunder shall be paid and apportioned 19
20 among and borne by the owners of working interests, all in accordance with the agree- 20
21 ment or agreements entered into by and between the Unit Operator and the owners of 21
22 working interests, whether one or more, separately or collectively. Any agreement 22
23 or agreements entered into between the working interest owners and the Unit Opera- 23
24 tor as provided in this section, whether one or more, are herein referred to as the 24
25 "unit operating agreement". Such unit operating agreement shall also provide the 25
26 manner in which the working interest owners shall be entitled to receive their re- 26
27 spective proportionate and allocated share of the benefits accruing hereto in con- 27
28 formity with their underlying operating agreements, leases, or other independent 28
29 contracts, and such other rights and obligations as between Unit Operator and the 29
30 working interest owners as may be agreed upon by Unit Operator and the working 30

1 interest owners; however, no such unit operating agreement shall be deemed either 1
2 to modify any of the terms and conditions of this unit agreement or to relieve the 2
3 Unit Operator of any right or obligation established under this unit agreement, and 3
4 in case of any inconsistency or conflict between this unit agreement and the unit 4
5 operating agreement, this unit agreement shall govern. Three true copies of any unit 5
6 operating agreement executed pursuant to this section should be filed with the Super- 6
7 visor and one true copy with the Commissioner and one true copy with the Commission, 7
8 prior to approval of this unit agreement. 8

9 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifi- 9
10 cally provided herein, the exclusive right, privilege, and duty of exercising any and 10
11 all rights of the parties hereto which are necessary or convenient for prospecting 11
12 for producing, storing, allocating, and distributing the unitized substances are here- 12
13 by delegated to and shall be exercised by the Unit Operator as herein provided. Ac- 13
14 ceptable evidence of title to said rights shall be deposited with said Unit Operator 14
15 and, together with this agreement, shall constitute and define the rights, privileges, 15
16 and obligations of Unit Operator. Nothing herein, however, shall be construed to 16
17 transfer title to any land or to any lease or operating agreement, it being under- 17
18 stood that under this agreement the Unit Operator, in its capacity as Unit Operator, 18
19 shall exercise the rights of possession and use vested in the parties hereto only for 19
20 the purposes herein specified. 20

21 9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, 21
22 the Unit Operator shall begin to drill an adequate test well at a location approved 22
23 by the Supervisor, if on Federal land, or by the Commissioner if on State land, or 23
24 by the Commission if on fee land, unless on such effective date a well is being 24
25 drilled conformably with the terms hereof, and thereafter continue such drilling 25
26 diligently until the entire Pennsylvanian formation has been tested or until at a 26
27 lesser depth unitized substances shall be discovered which can be produced in paying 27
28 quantities (to-wit: quantities sufficient to repay the costs of drilling, complet- 28
29 ing, and producing operations, with a reasonable profit) or the Unit Operator shall 29
30 at any time establish to the satisfaction of the Supervisor if located on Federal 30

1 lands, or the Commissioner if located on State lands, or the Commission if located 1
2 on fee lands, that further drilling of said well would be unwarranted or impracti- 2
3 cable, provided, however, that Unit Operator shall not in any event be required to 3
4 drill said well to a depth in excess of 10,000 feet. Until the discovery of a deposit 4
5 of unitized substances capable of being produced in paying quantities, the Unit 5
6 Operator shall continue drilling one well at a time, allowing not more than 6 months 6
7 between the completion of one well and the beginning of the next well, until a well 7
8 capable of producing unitized substances in paying quantities is completed to the 8
9 satisfaction of said Supervisor if on Federal land, or the Commissioner if on State 9
10 land, or the Commission if on fee land, or until it is reasonably proved that the 10
11 unitized land is incapable of producing unitized substances in paying quantities in 11
12 the formations drilled hereunder. Nothing in this section shall be deemed to limit 12
13 the right of the Unit Operator to resign as provided in Section 5 hereof, or as re- 13
14 quiring Unit Operator to commence or continue any drilling during the period pend- 14
15 ing such resignation becoming effective in order to comply with the requirements of 15
16 this section. The Supervisor and Commissioner may modify the drilling requirements 16
17 of this section by granting reasonable extensions of time when, in their opinion, 17
18 such action is warranted. Upon failure to commence any well provided for in this 18
19 section within the time allowed, including any extension of time granted by the 19
20 Supervisor and Commissioner, this agreement will automatically terminate; upon fai- 20
21 lure to continue drilling diligently any well commenced hereunder, the Supervisor 21
22 and Commissioner may, after 15 days notice to the Unit Operator, declare this unit 22
23 agreement terminated. 23

24 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after 24
25 completion of a well capable of producing unitized substances in paying quantities, 25
26 the Unit Operator shall submit for the approval of the Supervisor and the Commis- 26
27 sioner an acceptable plan of development and operation for the unitized land which, 27
28 when approved by the Supervisor and the Commissioner, shall constitute the further 28
29 drilling and operating obligations of the Unit Operator under this agreement for the 29
30 period specified therein. Thereafter, from time to time before the expiration of any 30

1 existing plan, the Unit Operator shall submit for the approval of the Supervisor 1
2 and the Commissioner a plan for an additional specified period for the development 2
3 and operation of the unitized land. 3

4 Any plan submitted pursuant to this section shall provide for the explora- 4
5 tion of the unitized area and for the diligent drilling necessary for determination 5
6 of the area or areas thereof capable of producing unitized substances in paying quan- 6
7 tities in each and every productive formation and shall be as complete and adequate 7
8 as the Supervisor, the Commissioner and Commission may determine to be necessary for 8
9 timely development and proper conservation of the oil and gas resources of the uni- 9
10 tized area and shall: 10

11 (a) specify the number and locations of any wells 11
12 to be drilled and the proposed order and time for 12
13 such drilling; and 13

14 (b) to the extent practicable, specify the operating 14
15 practices regarded as necessary and advisable for 15
16 proper conservation of natural resources. 16

17 Separate plans may be submitted for separate productive zones, subject to the ap- 17
18 proval of the Supervisor, the Commissioner and the Commission. 18

19 Plans shall be modified or supplemented when necessary to meet changed 19
20 conditions or to protect the interests of all parties to this agreement. Reason- 20
21 able diligence shall be exercised in complying with the obligations of the approved 21
22 plan of development. The Supervisor and Commissioner are authorized to grant a rea- 22
23 sonable extension of the 6-month period herein prescribed for submission of an 23
24 initial plan of development where such action is justified because of unusual con- 24
25 ditions or circumstances. After completion hereunder of a well capable of producing 25
26 any unitized substances in paying quantities, no further wells, except such as may 26
27 be necessary to afford protection against operations not under this agreement and 27
28 such as may be specifically approved by the Supervisor and the Commissioner, shall 28
29 be drilled except in accordance with a plan of development approved as herein pro- 29
30 vided. 30

1 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of 1
2 producing unitized substances in paying quantities or as soon thereafter as required 2
3 by the Supervisor and Commissioner, the Unit Operator shall submit for approval by the 3
4 Supervisor and Commissioner a schedule, based on subdivisions of the public land sur- 4
5 vey or aliquot parts thereof, of all land then regarded as reasonably proved to be 5
6 productive in paying quantities; all lands in said schedule on approval of the Super- 6
7 visor and Commissioner to constitute a participating area, effective as of the date of 7
8 completion of such well or the effective date of this unit agreement, whichever is 8
9 later. The acreages of both Federal and non-Federal lands shall be based upon appro- 9
10 priate computations from the courses and distances shown on the last approved public 10
11 land survey as of the effective date of each initial participating area. Said sche- 11
12 dule shall also set forth the percentage of unitized substances to be allocated as 12
13 herein provided to each tract in the participating area so established, and shall 13
14 govern the allocation of production commencing with the effective date of the partici- 14
15 pating area. A separate participating area shall be established for each separate 15
16 pool or deposit of unitized substances or for any group thereof which is produced as 16
17 a single pool or zone, and any two or more participating areas so established may be 17
18 combined into one, on approval of the Supervisor and Commissioner. When production 18
19 from two or more participating areas, so established, is subsequently found to be 19
20 from a common pool or deposit said participating areas shall be combined into one 20
21 effective as of such appropriate date as may be approved or prescribed by the Super- 21
22 visor and Commissioner. The participating area or areas so established shall be re- 22
23 vised from time to time, subject to like approval, to include additional land then 23
24 regarded as reasonably proved to be productive in paying quantities or necessary for 24
25 unit operations, or to exclude land then regarded as reasonably proved not to be pro- 25
26 ductive in paying quantities and the schedule of allocation percentages shall be 26
27 revised accordingly. The effective date of any revision shall be the first day of 27
28 the month in which is obtained the knowledge or information on which such revision is 28
29 predicated, provided, however, that a more appropriate effective date may be used if 29
30 justified by the Unit Operator and approved by the Supervisor and Commissioner. No 30

1 land shall be excluded from a participating area on account of depletion of the uni- 1
2 tized substances, except that any participating area established under the provisions 2
3 of this unit agreement shall terminate automatically whenever all completions in the 3
4 formation on which the participating area is based are abandoned. 4

5 It is the intent of this section that a participating area shall represent 5
6 the area known or reasonably estimated to be productive in paying quantities, but, re- 6
7 gardless of any revision of the participating area, nothing herein contained shall be 7
8 construed as requiring any retroactive adjustment for production obtained prior to the 8
9 effective date of the revision of the participating area. 9

10 In the absence of agreement at any time between the Unit Operator and the 10
11 Supervisor and Commissioner as to the proper definition or redefinition of a partici- 11
12 pating area, or until a participating area has, or areas have, been established as 12
13 provided herein, the portion of all payments affected thereby shall be impounded in 13
14 a manner mutually acceptable to the owners of working interests and the Supervisor 14
15 and Commissioner. Royalties due the United States and the State of New Mexico, which 15
16 shall be determined by the Supervisor for Federal land and the Commissioner for State 16
17 land and the amount thereof shall be deposited, as directed by the Supervisor and 17
18 Commissioner respectively, to be held as unearned money until a participating area is 18
19 finally approved and then applied as earned or returned in accordance with a determi- 19
20 nation of the sum due as Federal and State royalty on the basis of such approved 20
21 participating area. 21

22 Whenever it is determined, subject to the approval of the Supervisor as to 22
23 wells drilled on Federal land and of the Commissioner as to wells drilled on State 23
24 land, that a well drilled under this agreement is not capable of production in pay- 24
25 ing quantities and inclusion of the land on which it is situated in a participating 25
26 area is unwarranted, production from such well shall, for the purposes of settlement 26
27 among all parties other than working interest owners, be allocated to the land on 27
28 which the well is located unless such land is already within the participating area 28
29 established for the pool or deposit from which such production is obtained. Settle- 29
30 ment for working interest benefits from such a well shall be made as provided in the 30

1 unit operating agreement. 1

2 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 2
3 participating area established under this agreement, except any part thereof used in 3
4 conformity with good operating practices within the unitized area for drilling, operat- 4
5 ing, camp and other production or development purposes for repressuring or recycling 5
6 in accordance with a plan of development approved by the Supervisor and Commissioner, 6
7 or unavoidably lost, shall be deemed to be produced equally on an acreage basis from 7
8 the several tracts of unitized land of the participating area established for such 8
9 production and, for the purpose of determining any benefits accruing under this agree- 9
10 ment, each such tract of unitized land shall have allocated to it such percentage of 10
11 said production as the number of acres of such tract included in said participating 11
12 area bears to the total acres of unitized land in said participating area, except that 12
13 allocation of production hereunder, for purposes other than for settlement of the 13
14 royalty, overriding royalty, or payment out of production obligations of the re- 14
15 spective working interest owners shall be on the basis prescribed in the unit operat- 15
16 ing agreement whether in conformity with the basis of allocation herein set forth or 16
17 otherwise. It is hereby agreed that production of unitized substances from a par- 17
18 ticipating area shall be allocated as provided herein regardless of whether any wells 18
19 are drilled on any particular part or tract of said participating area. If any gas 19
20 produced from one participating area is used for repressuring or recycling purposes 20
21 in another participating area, the first gas withdrawn from such last-mentioned par- 21
22 ticipating area for sale during the life of this agreement shall be considered to be 22
23 the gas so transferred until an amount equal to that transferred shall be so produced 23
24 for sale and such gas shall be allocated to the participating area from which initial- 24
25 ly produced as such area was last defined at the time of such final production. 25

26 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 26
27 Any party hereto owning or controlling the working interest in any unitized land hav- 27
28 ing thereon a regular well location may with the approval of the Supervisor as to 28
29 Federal land, the Commissioner as to State land and the Commission as to privately 29
30 owned land, at such party's sole risk, cost and expense, drill a well to test any 30

1 formation for which a participating area has not been established or to test any 1
2 formation for which a participating area has been established if such location is 2
3 not within said participating area, unless within 90 days of receipt of notice from 3
4 said party of his intention to drill the well the Unit Operator elects and commences 4
5 to drill such a well in like manner as other wells are drilled by the Unit Operator 5
6 under this agreement. 6

7 If any well drilled as aforesaid by a working interest owner results in pro- 7
8 duction such that the land upon which it is situated may properly be included in a 8
9 participating area, such participating area shall be established or enlarged as pro- 9
10 vided in this agreement and the well shall thereafter be operated by the Unit Operator 10
11 in accordance with the terms of this agreement and the unit operating agreement. 11

12 If any well drilled as aforesaid by a working interest owner obtains produc- 12
13 tion in quantities insufficient to justify the inclusion of the land upon which such 13
14 well is situated in a participating area, such well may be operated and produced by 14
15 the party drilling the same subject to the conservation requirements of this agree- 15
16 ment. The royalties in amount or value of production from any such well shall be paid 16
17 as specified in the underlying lease and agreements affected. 17

18 14. ROYALTY SETTLEMENT. The United States and any State and any royalty 18
19 owner who is entitled to take in kind a share of the substances now unitized here- 19
20 under shall hereafter be entitled to the right to take in kind its share of the uni- 20
21 tized substances, and the Unit Operator, or the working interest owner in case of the 21
22 operation of a well by a working interest owner as herein provided for in special 22
23 cases, shall make deliveries of such royalty share taken in kind in conformity with 23
24 the applicable contracts, laws and regulations. Settlement for royalty interest 24
25 not taken in kind shall be made by working interest owners responsible therefor under 25
26 existing contracts, laws and regulations, or by the Unit Operator, on or before the 26
27 last day of each month for unitized substances produced during the preceding calen- 27
28 dar month; provided, however, that nothing herein contained shall operate to relieve 28
29 the lessees of any land from their respective lease obligations for the payment of 29
30 any royalties due under their leases. 30

1 If gas obtained from lands not subject to this agreement is introduced 1
2 into any participating area hereunder, for use in repressuring, stimulation or 2
3 production, or increasing ultimate recovery, in conformity with a plan of opera- 3
4 tions approved by the Supervisor, the Commissioner, and Commission, a like amount 4
5 of gas, after settlement as herein provided for any gas transferred from any other 5
6 participating area and with appropriate deduction for loss from any cause, may be 6
7 withdrawn from the formation in which the gas is introduced, royalty free as to dry 7
8 gas, but not as to any products which may be extracted therefrom; provided that such 8
9 withdrawal shall be at such time as may be provided in the approved plan of operations 9
10 or as may otherwise be consented to by the Supervisor, the Commissioner and Commission 10
11 as conforming to good petroleum engineering practice; and provided further, that such 11
12 right of withdrawal shall terminate on the termination of this unit agreement. 12

13 Royalty due the United States shall be computed as provided in the operating 13
14 regulations and paid in value or delivered in kind as to all unitized substances on 14
15 the basis of the amounts thereof allocated to unitized Federal land as provided here- 15
16 in at the rate specified in the respective Federal leases, or at such lower rate or 16
17 rates as may be authorized by law or regulation; provided, that for leases on which 17
18 the royalty rate depends on the daily average production per well, said average pro- 18
19 duction shall be determined in accordance with the operating regulations as though 19
20 each participating area were a single consolidated lease. 20

21 Royalty due on account of State lands shall be computed and paid on the 21
22 basis of all unitized substances allocated to such lands. 22

23 15. RENTAL, SETTLEMENT. Rental or minimum royalties due on leases committed 23
24 hereto shall be paid by working interest owners responsible therefor under existing 24
25 contracts, laws and regulations, provided that nothing herein contained shall opera- 25
26 ate to relieve the lessees of any land from their respective lease obligations for 26
27 the payment of any rental or minimum royalty due under their leases. Rental or mini- 27
28 mum royalty for lands of the United States subject to this agreement shall be paid at 28
29 the rate specified in the respective leases from the United States unless such rental 29
30 or minimum royalty is waived, suspended or reduced by law or by approval of the Secre- 30

1 tary or his duly authorized representative. 1.

2 Rentals on State of New Mexico lands subject to this agreement shall be 2
3 paid at the rates specified in the respective leases. 3

4 With respect to any lease on non-Federal land containing provisions which 4
5 would terminate such lease unless drilling operations are commenced upon the land 5
6 covered thereby within the time therein specified or rentals are paid for the privi- 6
7 lege of deferring such drilling operations, the rentals required thereby shall, not- 7
8 withstanding any other provisions of this agreement be deemed to accrue and become 8
9 payable during the term thereof as extended by this agreement and until the required 9
10 drilling operations are commenced upon the land covered thereby or until some portion 10
11 of such land is included within a participating area. 11

12 16. CONSERVATION. Operations hereunder and production of unitized sub- 12
13 stances shall be conducted to provide for the most economical and efficient recovery 13
14 of said substances without waste, as defined by or pursuant to State or Federal laws 14
15 or regulations. 15

16 17. DRAINAGE. The Unit Operator shall take such measures as the Super- 16
17 visor and Commissioner deem appropriate and adequate to prevent drainage of unitized 17
18 substances from unitized land by wells on land not subject to this agreement. 18

19 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions 19
20 and provisions of all leases, subleases and other contracts relating to exploration, 20
21 drilling, development or operations for oil or gas on lands committed to this agree- 21
22 ment are hereby expressly modified and amended to the extent necessary to make the 22
23 same conform to the provisions hereof, but otherwise to remain in full force and ef- 23
24 fect; and the parties hereto hereby consent that the Secretary as to Federal leases 24
25 and the Commissioner as to State leases shall and each by his approval hereof, or by 25
26 the approval hereof by their duly authorized representatives, do hereby establish, 26
27 alter, change or revoke the drilling, producing, rental minimum royalty and royalty 27
28 requirements of Federal and State leases committed hereto and the regulations in re- 28
29 spect thereto to conform said requirements to the provisions of this agreement, and, 29
30 without limiting the generality of the foregoing, all leases, subleases, and con- 30

1 tracts are particularly modified in accordance with the following: 1

2 (a) The development and operation of lands subject to this agreement 2
3 under the terms hereof shall be deemed full performance of all obliga- 3
4 tions for development and operation with respect to each and every sepa- 4
5 rately owned tract subject to this agreement, regardless of whether 5
6 there is any development of any particular tract of the unit area. 6

7 (b) Drilling and producing operations performed hereunder upon any 7
8 tract of unitized land will be accepted and deemed to be performed upon 8
9 and for the benefit of each and every tract of unitized land, and no 9
10 lease shall be deemed to expire by reason of failure to drill or produce 10
11 wells situated on the land therein embraced. 11

12 (c) Suspension of drilling or producing operations on all unitized 12
13 lands pursuant to direction or consent of the Secretary and Commission- 13
14 er or their duly authorized representatives shall be deemed to consti- 14
15 tute such suspension pursuant to such direction or consent as to each 15
16 and every tract of unitized land. A suspension of drilling or produc- 16
17 ing operations limited to specified lands shall be applicable only to 17
18 such lands. 18

19 (d) Each lease, sublease or contract relating to the exploration, drill- 19
20 ing, development or operation for oil or gas of lands other than those of 20
21 the United States or State of New Mexico committed to this agreement, 21
22 which, by its terms might expire prior to the termination of this agree- 22
23 ment, is hereby extended beyond any such term so provided therein so that 23
24 it shall be continued in full force and effect for and during the term of 24
25 this agreement. 25

26 (e) Any Federal lease for a fixed term of twenty (20) years or any renewal 26
27 thereof or any part of such lease which is made subject to this agreement 27
28 shall continue in force beyond the term provided therein until the termi- 28
29 nation hereof. Any other Federal lease committed hereto shall continue in 29
30 force beyond the term so provided therein or by law as to the land committed 30

1 so long as such lease remains subject hereto, provided that production 1
2 is had in paying quantities under this unit agreement prior to the expi- 2
3 ration date of the terms of such lease, or in the event actual drilling 3
4 operations are commenced on unitized lands, in accordance with the pro- 4
5 visions of this agreement, prior to the end of the primary term of such 5
6 lease and are being diligently prosecuted at that time, such lease shall 6
7 be extended for two years and so long thereafter as oil or gas is produc- 7
8 ed in paying quantities in accordance with the provisions of the Mineral 8
9 Leasing Act Revision of 1960. 9

10 (f) Each sublease or contract relating to the operation and development 10
11 of unitized substances from lands of the United States committed to this 11
12 agreement, which by its terms would expire prior to the time at which the 12
13 underlying lease, as extended by the immediately preceding paragraph, will 13
14 expire, is hereby extended beyond any such term so provided therein so that 14
15 it shall be continued in full force and effect for and during the term of 15
16 the underlying lease as such term is herein extended. 16

17 (g) Any lease embracing lands of the State of New Mexico which is made 17
18 subject to this agreement, shall continue in force beyond the term pro- 18
19 vided therein as to the lands committed hereto until the termination 19
20 hereof, subject to the provisions of subsection (e) of Section 2 and sub- 20
21 section (i) of this Section 18. 21

22 (h) The segregation of any Federal lease committed to this agreement is 22
23 governed by the following provisions in the fourth paragraph of Sec. 17(j) 23
24 of the Mineral Leasing Act, as amended by the Act of September 2, 1960 24
25 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter commit- 25
26 ted to any such (unit) plan embracing lands that are in part within and 26
27 in part outside of the area covered by any such plan shall be segregated 27
28 into separate leases as to the lands committed and the lands not committed 28
29 as of the effective date of unitization: Provided, however, That any such 29
30 lease as to the nonunitized portion shall continue in force and effect for 30

1 the term thereof but for not less than two years from the date of such 1
2 segregation and so long thereafter as oil or gas is produced in paying 2
3 quantities." 3

4 (i) Any lease embracing lands of the State of New Mexico having only a 4
5 portion of its lands committed hereto, shall be segregated as to the por- 5
6 tion committed and the portion not committed, and the provisions of such 6
7 lease shall apply separately to such segregated portions commencing as of 7
8 the effective date hereof; provided, however, notwithstanding any of the 8
9 provisions of this agreement to the contrary any lease embracing lands 9
10 of the State of New Mexico having only a portion of its lands committed 10
11 hereto shall continue in full force and effect beyond the term provided 11
12 therein as to all lands embraced in such lease, if oil or gas is dis- 12
13 covered and is capable of being produced in paying quantities from some 13
14 part of the lands embraced in such lease at the expiration of the second- 14
15 ary term of such lease; or if, at the expiration of the secondary term, 15
16 the lessee or Unit Operator is then engaged in bona fide drilling or re- 16
17 working operations on some part of the lands embraced in such lease, the 17
18 same, as to all lands embraced therein, shall remain in full force and ef- 18
19 fect so long as such operations are being diligently prosecuted, and if 19
20 they result in the production of oil or gas, said lease shall continue in 20
21 full force and effect as to all of the lands embraced therein, so long 21
22 thereafter as oil or gas in paying quantities is being produced from any 22
23 portion of said lands. 23

24 (j) Any lease, other than a Federal lease, having only a portion of its 24
25 lands committed hereto shall be segregated as to the portion committed 25
26 and the portion not committed, and the provisions of such lease shall 26
27 apply separately to such segregated portions commencing as of the effec- 27
28 tive date hereof. In the event any such lease provides for a lump sum 28
29 rental payment, such payment shall be prorated between the portions so 29
30 segregated in proportion to the acreage of the respective tracts. 30

1 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 1
2 to be covenants running with the land with respect to the interest of the parties 2
3 hereto and their successors in interest until this agreement terminates, and any 3
4 grant, transfer, or conveyance of interest in land or leases subject hereto shall 4
5 be and hereby is conditioned upon the assumption of all privileges and obligations 5
6 hereunder by the grantee, transferee or other successor in interest. No assignment 6
7 or transfer of any working interest, royalty, or other interest subject hereto shall 7
8 be binding upon Unit Operator until the first day of the calendar month after Unit 8
9 Operator is furnished with the original, photostatic, or certified copy of the 9
10 instrument of transfer. 10

11 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 11
12 approval by the Secretary and Commissioner, or their duly authorized representatives 12
13 and shall terminate five (5) years from said effective date unless: 13

14 (a) such date of expiration is extended by the Director and Commission- 14
15 er, or 15

16 (b) it is reasonably determined prior to the expiration of the fixed 16
17 term or any extension thereof that the unitized land is incapable of 17
18 production of unitized substances in paying quantities in the formations 18
19 tested hereunder and after notice of intention to terminate the agreement 19
20 on such ground is given by the Unit Operator to all parties in interest 20
21 at their last known addresses, the agreement is terminated with the ap- 21
22 proval of the Supervisor and the Commissioner, or 22

23 (c) a valuable discovery of unitized substances has been made or accept- 23
24 ed on unitized land during said initial term or any extension thereof, in 24
25 which event the agreement shall remain in effect for such term and so long 25
26 as unitized substances can be produced in quantities sufficient to pay for 26
27 the cost of producing same from wells on unitized land within any partici- 27
28 pating area established hereunder and, should production cease, so long 28
29 thereafter as diligent operations are in progress for the restoration of 29
30 production or discovery of new production and so long thereafter as unitiz- 30

1
2 ed substances so discovered can be produced as aforesaid, or 2

3 (d) it is terminated as heretofore provided in this agreement. 3

4 This agreement may be terminated at any time by not less than 75 per centum, on 4
5 an acreage basis, of the working interest owners signatory hereto, with the approval 5
6 of the Supervisor and Commissioner; notice of any such approval to be given by the 6
7 Unit Operator to all parties hereto. 7

8 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is 8
9 hereby vested with authority to alter or modify from time to time in his discretion 9
10 the quantity and rate of production under this agreement when such quantity and rate 10
11 is not fixed pursuant to Federal or State law or does not conform to any statewide 11
12 voluntary conservation or allocation program, which is established, recognized and 12
13 generally adhered to by the majority of operators in such State, such authority be- 13
14 ing hereby limited to alteration or modification in the public interest, the purpose 14
15 thereof and the public interest to be served thereby to be stated in the order of 15
16 alteration or modification. Without regard to the foregoing, the Director is also 16
17 hereby vested with authority to alter or modify from time to time in his discretion 17
18 the rate of prospecting and development and the quantity and rate of production 18
19 under this agreement when such alteration or modification is in the interest of 19
20 attaining the conservation objectives stated in this agreement and is not in viola- 20
21 tion of any applicable Federal or State law; provided, further, that no such altera- 21
22 tion or modification shall be effective as to any land of the State of New Mexico, 22
23 as to the rate of prospecting and developing in the absence of the specific written 23
24 approval thereof by the Commissioner and as to any lands of the State of New Mexico 24
25 or privately owned lands subject to this agreement as to the quantity and rate of 25
26 production in the absence of specific written approval thereof by the Commission. 26

27 Powers in this section vested in the Director shall only be exercised after 27
28 notice to Unit Operator and opportunity for hearing to be held not less than 15 days 28
29 from notice. 29

30 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working 30

1
2 interest owners nor any of them shall be subject to any forfeiture, termination
3 or expiration of any rights hereunder or under any leases or contracts subject
4 hereto; or to any penalty or liability on account of delay or failure in whole or
5 in part to comply with any applicable provision thereof to the extent that the Unit
6 Operator, working interest owners or any of them are hindered, delayed or prevented
7 from complying therewith by reason of failure of the Unit Operator to obtain in the
8 exercise of due diligence, the concurrence of proper representatives of the United
9 States and proper representatives of the State of New Mexico in and about any matters
10 or things concerning which it is required herein that such concurrence be obtained.
11 The parties hereto, including the Commission, agree that all powers and authority
12 vested in the Commission in and by any provisions of this agreement are vested in
13 the Commission and shall be exercised by it pursuant to the provisions of the laws
14 of the State of New Mexico and subject to any case to appeal or judicial review as
15 may now or hereafter be provided by the laws of the State of New Mexico.

16 23. APPEARANCES. Unit Operator shall, after notice to other parties af-
17 fected, have the right to appear for and on behalf of any and all interests affected
18 hereby before the Department of the Interior, the Commissioner of Public Lands of
19 the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal
20 from orders issued under the regulations of said Department, the Commission or Com-
21 missioner of to apply for relief from any of said regulations or in any proceedings
22 relative to operations before the Department of the Interior, the Commissioner, or
23 Commission, or any other legally constituted authority; provided, however that any
24 other interested party shall also have the right at his own expense to be heard in
25 any such proceeding.

26 24. NOTICES. All notices, demands or statements required hereunder to
27 be given or rendered to the parties hereto shall be deemed fully given if given in
28 writing and personally delivered to the party or sent by postpaid registered or cer-
29 tified mail, addressed to such party or parties at their respective addresses set
30 forth in connection with the signatures hereto or to the ratification or consent

1 hereof or to such other address as any such party may have furnished in writing to 1
2 party sending the notice, demand or statement. 2

3 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 3
4 shall be construed as a waiver by any party hereto of the right to assert any legal 4
5 or constitutional right or defense as to the validity or invalidity of any law of the 5
6 State wherein said unitized lands are located, or of the United States, or regula- 6
7 tions issued thereunder in any way affecting such party, or as a waiver by any 7
8 such party of any right beyond his or its authority to waive. 8

9 26. UNAVOIDABLE DELAY. All obligations under this agreement requiring 9
10 the Unit Operator to commence or continue drilling or to operate on or produce uni- 10
11 tized substances from any of the lands covered by this agreement shall be suspended 11
12 while the Unit Operator, despite the exercise of due care and diligence, is prevent- 12
13 ed from complying with such obligations, in whole or in part, by strikes, acts of 13
14 God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrol- 14
15 lable delays in transportation, inability to obtain necessary materials in open 15
16 market, or other matters beyond the reasonable control of the Unit Operator whether 16
17 similar to matters herein enumerated or not. No unit obligation which is suspend- 17
18 ed under this section shall become due less than thirty (30) days after it has been 18
19 determined that the suspension is no longer applicable. Determination of creditable 19
20 "Unavoidable Delay" time shall be made by the Unit Operator subject to approval of 20
21 the Supervisor and Commissioner. 21

22 27. NONDISCRIMINATION. In connection with the performance of work under 22
23 this agreement, the operator agrees to comply with all of the provisions of Section 23
24 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which 24
25 are hereby incorporated by reference in this agreement. 25

26 28. LOSS OF TITLE. In the event title to any tract of unitized land 26
27 shall fail and the true owner cannot be induced to join in this unit agreement, such 27
28 tract shall be automatically regarded as not committed hereto and there shall be 28
29 such readjustment of future costs and benefits as may be required on account of the 29
30 loss of such title. In the event of a dispute as to title to any royalty, working 30

1 interest or other interests subject thereto, payment or delivery on account thereof 1
2 may be withheld without liability for interest until the dispute is finally settled; 2
3 provided, that, as to Federal and State land or leases, no payments of funds due the 3
4 United States or State of New Mexico should be withheld, but such funds of the United 4
5 States shall be deposited as directed by the Supervisor and such funds of the State of 5
6 New Mexico shall be deposited as directed by the Commissioner to be held as unearned 6
7 money pending final settlement of the title dispute, and then applied as earned or 7
8 returned in accordance with such final settlement. 8

9 Unit Operator as such is relieved from any responsibility for any defect 9
10 or failure of any title hereunder. 10

11 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial 11
12 interest in a tract within the unit area fails or refuses to subscribe or consent 12
13 to this agreement, the owner of the working interest in that tract may withdraw 13
14 said tract from this agreement by written notice delivered to the Supervisor and 14
15 the Commissioner and the Unit Operator prior to the approval of this agreement by 15
16 the Supervisor and Commissioner. Any oil or gas interests in lands within the unit 16
17 area not committed hereto prior to submission of this agreement for final approval 17
18 may thereafter be committed hereto by the owner or owners thereof subscribing or 18
19 consenting to this agreement, and, if the interest is a working interest, by the 19
20 owner of such interest also subscribing to the unit operating agreement. After 20
21 operations are commenced hereunder, the right of subsequent joinder, as provided 21
22 in this section, by a working interest owner is subject to such requirements or 22
23 approvals, if any, pertaining to such joinder, as may be provided for in the unit 23
24 operating agreement. After final approval hereof, joinder by a non-working inter- 24
25 est owner must be consented to in writing by the working interest owner committed 25
26 hereto and responsible for the payment of any benefits that may accrue hereunder 26
27 in behalf of such non-working interest. A non-working interest may not be commit- 27
28 ted to this unit agreement unless the corresponding working interest is committed 28
29 hereto. Joinder to the unit agreement by a working interest owner, at any time, 29
30 must be accompanied by appropriate joinder to the unit operating agreement, if more 30

1 than one committed working interest owner is involved, in order for the interest to 1
2 be regarded as committed to this unit agreement. Except as may otherwise herein be 2
3 provided subsequent joinders to this agreement shall be effective as of the first day 3
4 of the month following the filing with the Supervisor and the Commissioner of duly 4
5 executed counterparts of all or any papers necessary to establish effective commit- 5
6 ment of any tract to this agreement unless objection to such joinder is duly made 6
7 within 60 days by the Supervisor, provided, however, that as to State lands all sub- 7
8 sequent joinders must be approved by the Commissioner. 8

9 30. COUNTERPARTS. This agreement may be executed in any number of coun- 9
10 terparts no one of which needs to be executed by all parties or may be ratified or 10
11 consented to by separate instrument in writing specifically referring hereto and 11
12 shall be binding upon all those parties who executed such a counterpart, ratifica- 12
13 tion, or consent hereto with the same force and effect as if all such parties had 13
14 signed the same document and regardless of whether or not it is executed by all 14
15 other parties owning or claiming an interest in the lands within the above describ- 15
16 ed unit area. 16

17 31. NO PARTNERSHIP. It is expressly agreed that the relation of the par- 17
18 ties hereto is that of independent contractors and nothing in this agreement con- 18
19 tained, expressed or implied, nor any operations conducted hereunder, shall create 19
20 or be deemed to have created a partnership or association between the parties hereto 20
21 or any of them. 21

22 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be 22
23 executed and have set opposite their respective names the date of execution. 23

24 EXXON CORPORATION 24

25
26 Date: _____ 25

26 By: _____ 26
27 B. D. HOLLAND, ATTORNEY IN FACT 27

28 ADDRESS: P. O. Box 1600 28
29 Midland, Texas 79701 29
30 30

1 GETTY OIL COMPANY 1

2 ATTEST: 2

3 By _____ 3

4 _____ 4

5 Dated _____ 5

6 ADDRESS: _____ 6

7 _____ 7

8 _____ 8

9 THE STATE OF TEXAS § 9

10 COUNTY OF MIDLAND § 10

11 The foregoing instrument was acknowledged before me this 11

12 _____ day of _____, 1976, by B. D. HOLLAND, Attorney 12

13 in Fact of EXXON CORPORATION, on behalf of said corporation. 13

14 My Commission Expires: _____ Notary Public in and for 14

15 _____ Midland County, Texas. 15

16 _____ 16

17 _____ 17

18 THE STATE OF § 18

19 COUNTY OF § 19

20 The foregoing instrument was acknowledged before me this 20

21 _____ day of _____, 1976, by _____, 21

22 _____ of GETTY OIL COMPANY, on behalf 22

23 of said corporation. 23

24 My Commission Expires: _____ Notary Public in and for 24

25 _____ Said County and State. 25

26 _____ 26

27 _____ 27

28 _____ 28

29 _____ 29

30 _____ 30

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

Page 1

TRACT NO. FEDERAL LANDS:	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS
1	All Sec. 14-17S-1E	640.00	NM-9128 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
2	All Secs. 8&9-16S-1E	1,280.00	NM-9135 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
3	SW/4 Sec. 27, All Sec. 34, All Sec. 35, T-16-S, R-1-E	1,440.00	NM-9699 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
4	S/2 NW/4 and NE/4 NW/4 Sec. 27; W/2 and SE/4 Sec. 28; All Sec. 30, All Sec. 33-16S-1E	1,871.01	NM-9700 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
5	N/2 and N/2 SW/4, S/2 SE/4 Sec. 22, All Sec. 26, E/2 Sec. 27-16S-1E	1,440.00	NM-9701 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
6	All Sec. 18, All Sec. 19, All Sec. 20, All Sec. 21, T-16-S, R-1-E	2,537.91	NM-9702 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
7	All Sec. 6 and All Sec. 17, T-16-S, R-1-E	1,266.22	NM-9703 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
8	N/2 NW/4, SE/4 NW/4, E/2 Sec. 10; All Sec. 15-16S-1W	1,080.00	NM-9896 12-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
9	All Sec. 7, T-16-S, R-1-E	629.69	NM-10253 8-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.
10	All Sec. 24, T-16-S, R-1-W	640.00	NM-10315 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
11	All Sec. 1, Lots 1-3, S/2 N/2, S/2 Sec. 4, and All Sec. 10, T-17-S, R-1-E	1,881.34	NM-10320 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
12	All Sec. 13, T-17-S, R-1-E	640.00	NM-10321 11-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None
13	All Sec. 12 and All Sec. 13 T-16-S, R-1-W	1,280.00	NM-10656 2-29-80	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	WORKING INTEREST OWNERS & PERCENTAGE
	640.00	NM-9128 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co. - 100%
1E	1,280.00	NM-9135 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co. - 100%
Sec. 34, S, R-1-E	1,440.00	NM-9699 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
NW/4 Sec. ec. 28; All 33-16S-1E	1,871.01	NM-9700 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
S/2 SE/4 26, E/2	1,440.00	NM-9701 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
ec. 19, ec. 21,	2,537.91	NM-9702 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
Sec. 17,	1,266.22	NM-9703 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
4, E/2 15-16S-1W	1,080.00	NM-9896 12-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
, R-1-E	629.69	NM-10253 8-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. -100%
S, R-1-W	640.00	NM-10315 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co.-100%
-3, S/2 nd All -1-E	1,881.34	NM-10320 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co.-100%
S, R-1-E	640.00	NM-10321 11-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co.-100%
1 Sec. 13	1,280.00	NM-10656 2-29-80	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANNA COUNTIES, NEW MEXICO

Page 2 of

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	OWN
FEDERAL LANDS: (Contin'd)							
14	All Sec. 1, All Sec. 11, All Sec. 14, T-16-S, R-1-W	1,919.69	NM-13214 2-28-81	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR - Beard Oil Co.	Ex
15	All Sec. 3, T-17-S, R-1-E	642.06	NM-16061 6-30-82	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR - Beard Oil Co.	Ex
16	Lot 4 Sec. 4, T-17-S, R-1-E	40.87	NM-16294 7-31-82	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	12 $\frac{1}{2}$ % of 8/8 ORR - Great Western Drilg. Co.	E
17	All Sec. 11 & All Sec. 12 T-17-S, R-1-E	1,280.00	NM-18669 3-31-84	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	Ex
TOTAL: 17 TRACTS FEDERAL LANDS -		20,508.79	ACRES, 82.33311% of the UNIT AREA				
STATE LANDS:							
18	All Sec. 2, T-17-S, R-1-E	641.49	LG-1646 3-1-84	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	Ex
19	All Sec. 2, T-16-S, R-1-W	639.69	LG-1706 3-1-84	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	E
20	All Sec. 16, T-16-S, R-1-E	640.00	L-3823-1 11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	E
21	N/2 SE/4 & S/2 SW/4 Sec. 22; NW/4 NW/4 Sec. 27; and NE/4 NE/4 and S/2 NE/4 Sec. 28, T-16-S, R-1-E	320.00	L-3824-1 11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	E
22	All Sec. 32 and All Sec. 36, T-16-S, R-1-E	1,280.00	L-3825-1 11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	E
23	All Sec. 3, T-16-S, R-1-W	639.56	L-3827-1 11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	E
24	SW/4 NW/4 Sec. 10, T-16-S, R-1-W	40.00	LG-3839 10-1-86	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	E
TOTAL: 7 TRACTS STATE OF NEW MEXICO LAND -		4,200.74	ACRES, 16.86399% of the UNIT AREA				

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	<u>NO. OF ACRES</u>	<u>LEASE NO. & EXP.</u> <u>DATE OF LEASE</u>	<u>BASIC ROYALTY &</u> <u>PERCENTAGE</u>	<u>LESSEE OF RECORD</u>	<u>OVERRIDING ROYALTY</u> <u>OR PRODUCTION PAYMENTS</u>	<u>WORKING INTEREST</u> <u>OWNERS & PERCENTAGE</u>
11, R-1-W	1,919.69	NM-13214 2-28-81	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR - Beard Oil Co.	Exxon Corp. - 100%
R-1-E	642.06	NM-16061 6-30-82	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR - Beard Oil Co.	Exxon Corp. - 100%
S, R-1-E	40.87	NM-16294 7-31-82	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	12 $\frac{1}{2}$ % of 8/8 ORR - Great Western Drlg. Co.	Exxon Corp. - 100%
c. 12	1,280.00	NM-18669 3-31-84	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	Exxon Corp. - 100%
<hr/>						
IDS -	20,508.79 ACRES, 82.33311% of the UNIT AREA					
R-1-E	641.49	LG-1646 3-1-84	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	Exxon Corp. - 100%
R-1-W	639.69	LG-1706 3-1-84	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	Exxon Corp. - 100%
R-1-E	640.00	L-3823-1 11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
Sec. 22; and NE/4 c. 28,	320.00	L-3824-1 11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
Sec.	1,280.00	L-3825-1 11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
R-1-W	639.56	L-3827-1 11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
	40.00	LG-3839 10-1-86	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	Exxon Corp. - 100%
<hr/>						
MEXICO LAND -	4,200.74 ACRES, 16.86399% of the UNIT AREA					

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS
<u>FEE LANDS:</u>						
25	SW/4 Sec. 10, T-16-S, R-1-W	160.00	Exxon Lease No. 635129-001 2-25-86 Lewis D. Cain, Jr. et al	Lewis D. Cain, Jr., et ux - 1/2 of 1/8 Bennie L. Cain, et ux - 1/2 of 1/8	Exxon Corp. All	None
26	NW/4 NE/4 Sec. 28, T-16-S, R-1-E	40.00	Exxon Lease No. 635129-001 2-25-86 Robert M. Timberlake	Robert M. Timberlake - 1/16 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-002 1-23-81 Mrs. Edgar Timberlake	Mrs. Edgar Timberlake - 5/16 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-003 1-23-81 Beverly Timberlake Sutphen	Beverly Timberlake Sutphen - 1/16 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-004 4-26-81 Bonnie Mae Timberlake	Bonnie Mae Timberlake 1/64 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-005 6-23-81 Richard Dudley Timberlake	Richard Dudley Timberlake 3/128 of 1/8	Exxon Corp.-All	None

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

Page 3 of 4

NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	WORKING INTEREST OWNERS & PERCENTAGE
S, R-1-W	160.00	Exxon Lease No. 635129-001 2-25-86 Lewis D. Cain, Jr. et al	Lewis D. Cain, Jr., et ux - 1/2 of 1/8 Bennie L. Cain, et ux - 1/2 of 1/8 Exxon Corp. All	None	Exxon Corp. - 100%
	40.00	Exxon Lease No. 635129-001 2-25-86 Robert M. Timberlake	Robert M. Timberlake - 1/16 of 1/8 Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-002 1-23-81 Mrs. Edgar Timberlake	Mrs. Edgar Timberlake - 5/16 of 1/8 Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-003 1-23-81 Beverly Timberlake Sutphen	Beverly Timberlake Sutphen - 1/16 of 1/8 Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-004 4-26-81 Bonnie Mae Timberlake	Bonnie Mae Timberlake 1/64 of 1/8 Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-005 6-23-81 Richard Dudley Timberlake	Richard Dudley Timberlake 3/128 of 1/8 Exxon Corp.-All	None	Exxon Corp. - 100%

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	WO OW
FEE LANDS: (Contin'd)							
26	NW/4 NE/4 Sec. 28, (Continued) T-16-S, R-1-E		Exxon Lease No. 635186-001 3-15-81 Lewis D. Cain, Jr., ux - 1/8 of 1/8 et al	Lewis D. Cain, Jr., et ux - 1/8 of 1/8 Bennie L. Cain, et Lewis D. Cain, Jr., ux - 1/8 of 1/8 et al	Exxon Corp.-All	None	Ex
			Exxon Lease No. 635088-001 1-12-86 Lois Bagley, et al	Lois Bagley, et al 1/4 of 1/8	Exxon Corp.-All	None	Ex
			* Unleased Thomas Edgar Timberlake, III. 3/128	Thomas Edgar Timberlake, III. 3/128 of 1/8	Thomas Edgar Timberlake, III. All	None	TH TI

TOTAL: 2 FEE TRACTS - 200.00 ACRES, .80290% of the UNIT AREA

GRAND TOTAL: 26 TRACTS COMPRISING 24,909.53 ACRES IN THE UNIT AREA

*The unleased interest of Thomas Edgar Timberlake, III., will be carried by Exxon.

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

Page 4 of 4

<u>NO. OF ACRES</u>	<u>LEASE NO. & EXP. DATE OF LEASE</u>	<u>BASIC ROYALTY & PERCENTAGE</u>	<u>LESSEE OF RECORD</u>	<u>OVERRIDING ROYALTY OR PRODUCTION PAYMENTS</u>	<u>WORKING INTEREST OWNERS & PERCENTAGE</u>
Continued)	Exxon Lease No. 635186-001 3-15-81 Lewis D. Cain, Jr., ux - 1/8 of 1/8 et al	Lewis D. Cain, Jr., et ux - 1/8 of 1/8 Bennie L. Cain, et Lewis D. Cain, Jr., ux - 1/8 of 1/8 et al	Exxon Corp.-All	None	Exxon Corp. - 100%
	Exxon Lease No. 635088-001 1-12-86 Lois Bagley, et al	Lois Bagley, et al 1/4 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
	* Unleased Thomas Edgar Timberlake, III. 3/128	Thomas Edgar Timberlake, III. 3/128 of 1/8	Thomas Edgar Timberlake, III. All	None	Thomas Edgar Timberlake, III. -100%

ACRES, .80290% of the UNIT AREA

ISING 24,909.53 ACRES IN THE UNIT AREA

as Edgar Timberlake, III., will be carried by Exxon.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5798
Order No. R-5319

APPLICATION OF EXXON CORPORATION
FOR APPROVAL OF THE PRISOR UNIT
AGREEMENT, SIERRA AND DONA ANA
COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 10, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 16th day of November, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Exxon Corporation, seeks approval of the Prisor Unit Agreement covering 24,909.53 acres, more or less, of State, Federal and Fee lands described as follows:

SIERRA AND DONA ANA COUNTIES, NEW MEXICO
TOWNSHIP 16 SOUTH, RANGE 1 WEST, NMPM

Sections 1 through 3: All
Sections 10 through 15: All
Section 24: All

TOWNSHIP 16 SOUTH, RANGE 1 EAST, NMPM

Sections 6 through 8: All
Sections 16 through 22: All
Sections 26 through 30: All
Sections 32 through 36: All

TOWNSHIP 17 SOUTH, RANGE 1 EAST, NMPM

Sections 1 through 4: All
Sections 10 through 14: All

-2-

Case No. 5798
Order No. R-5319

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Prisor Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

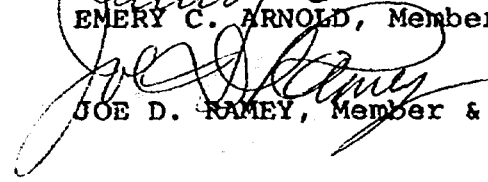
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

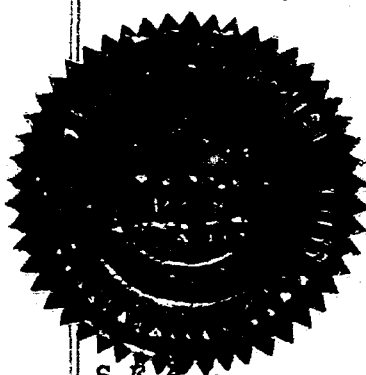
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary



SEAL

jr/

DRAFT

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

dr/

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 5798

Order No. R- 5319

APPLICATION OF EXXON CORPORATION
FOR APPROVAL OF THE PRISOR
UNIT AGREEMENT, SIERRA AND DONA ANA COUNTIES,
DONA ANA COUNTIES,

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
November 10, 1966, at Santa Fe, New Mexico, before Examiner
Richard L. Stamets.

NOW, on this day of November, 1966, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Exxon Corporation,
seeks approval of the Prisor Unit Agreement
covering 24,909.53 acres, more or less, of State,
Federal lands and Fee
described as follows:

Sierra and Dona Ana Counties, New Mexico
TOWNSHIP 16 S., RANGE 11 E., NMPM

Sections 1 through 3: 1711 ✓

Sections 10 " 15: 1711 ✓

Section 24: 1711 ✓

Township 16 South, Range 1 East, NMPM

Sections 6 through 8: 1711 ✓

Sections 16 through 22: 1711 ✓

Sections 26 through 30: 1711 ✓

Sections 32 through 36: 1711 ✓

Township 17 South, Range 1 East, NMPM

Sections 1 through 4: 1711 ✓

Sections 10 through 14: 1711 ✓

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Prisor Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

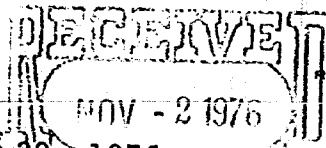
CLARENCE E. HINKLE
W. E. BONDURANT, JR. (914-1973)
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY, JR.

JAMES H. BOZARTH
RONALD G. HARRIS
JAMES H. ISBELL
DOUGLAS L. LUNSFORD
PAUL M. BOHANNON

LAW OFFICES
HINKLE, BONDURANT, COX & EATON
521 MIDLAND TOWER
MIDLAND, TEXAS 79701

TELEPHONE (915) 683-4691

ONLY MESSRS COFFIELD, MARTIN,
BOZARTH, ISBELL & BOHANNON
LICENSED IN TEXAS



October 29, 1976
OIL CONSERVATION COMM.
Santa Fe

ROSWELL, NEW MEXICO OFFICE
600 HINKLE BUILDING
(505) 822-6510

Case
5798
Ku

Mr. Dan Nutter
Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Docket for November 10, 1976
Hearing -- Exxon Corporation's
Prisor Unit

Dear Dan:

A few days ago I transmitted to you Exxon's application and copies of the Unit Agreement in connection with the above referenced unit, which I understand has been set on the November 10 docket.

The copies of the Unit Agreement which we submitted to you were assembled without the correct Table of Contents page being inserted, reflecting proper mention of Exhibits "A" and "B".

Transmitted herewith you will find substitute pages for the Table of Contents for each of the three copies of the Unit Agreement previously submitted to you. These substitute pages do carry the proper references to Exhibits "A" and "B". Please arrange for proper notation of your files and substitution of these pages as may be appropriate for your purposes.

Thank you.

Very truly yours,

HINKLE, BONDURANT, COX & EATON

Conrad E. Coffield

CEC:lw
Enclosures

PRISOR UNIT AGREEMENT

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EXHIBITS

Exhibit "A"-----	Schedule of Ownership
Exhibit "B"-----	Land Plat

PRISOR UNIT AGREEMENT

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
PRISOR UNIT AREA
COUNTIES OF SIERRA AND DONA ANA
STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT entered into as of the _____ day of _____, 1976,
by and between the parties subscribing, ratifying or consenting hereto, and herein
referred to as the "parties hereto".

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other
gas interests in the unit area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as
amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their repre-
sentatives to unite with each other or jointly or separately with others, in col-
lectively adopting and operating a cooperative or unit plan of development or
operation of any oil or gas pool, field, or like area, or any part thereof for the
purpose of more properly conserving the natural resources thereof whenever deter-
mined and certified by the Secretary of the Interior to be necessary or advisable
in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated)
to consent to or approve this agreement on behalf of the State of New Mexico, inso-
far as it covers and includes lands and mineral interests of the State of New
Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is
authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9, Part 2,
1953 Statutes) to approve this agreement and the conservation provisions hereof;
and

1 WHEREAS, the parties hereto hold sufficient interests in the Prisor 1
2 Unit Area covering the land hereinafter described to give reasonably effective 2
3 control of operations therein; and 3

4 WHEREAS, it is the purpose of the parties hereto to conserve natural re- 4
5 sources, prevent waste, and secure other benefits obtainable through development 5
6 and operation of the area subject to this agreement under the terms, conditions 6
7 and limitations herein set forth; 7

8 NOW, THEREFORE, in consideration of the premises and the promises herein 8
9 contained, the parties hereto commit to this agreement their respective interests in 9
10 the below-defined unit area, and agree severally among themselves as follows: 10

11 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 11
12 1920, as amended, supra, and all valid pertinent regulations, including operating 12
13 and unit plan regulations, heretofore issued thereunder or valid, pertinent and 13
14 reasonable regulations hereafter issued thereunder are accepted and made a part of 14
15 this agreement as to Federal lands, provided such regulations are not inconsistent 15
16 with the terms of this agreement; and as to non-Federal lands, the oil and gas operat- 16
17 ing regulations in effect as of the effective date hereof governing drilling and pro- 17
18 ducing operations, not inconsistent with the terms hereof or the laws of the State of 18
19 which the non-Federal land is located, are hereby accepted and made a part of this 19
20 agreement. 20

21 2. UNIT AREA. The area specified on the map attached hereto marked Exhibit 21
22 "A" is hereby designated and recognized as constituting the unit area, containing 22
23 24,909.53 acres, more or less. 23

24 Exhibit "A" shows, in addition to the boundary of the unit area, the bounda- 24
25 ries and identity of tracts and leases in said area to the extent known to the Unit 25
26 Operator. Exhibit "B" attached hereto is a schedule showing, to the extent known to 26
27 the Unit Operator, the acreage, percentage, and kind of ownership of oil and gas inter- 27
28 ests in all land in the unit area. However, nothing herein or in said schedule or map 28
29 shall be construed as a representation by any party hereto as to the ownership of any 29
30 interest other than such interest or interests as are shown in said map or schedule 30

1 as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator 1
2 whenever changes in the unit area render such revision necessary, or when requested 2
3 by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when re- 3
4 quested by the Commissioner of Public Lands of the State of New Mexico, hereinafter 4
5 referred to as "Commissioner", and not less than five copies of the revised exhibits 5
6 shall be filed with the Supervisor, and two copies thereof shall be filed with the 6
7 Commissioner, and one copy with the New Mexico Oil Conservation Commission, herein- 7
8 after referred to as "Commission". 8

9 The above-described unit area shall when practicable be expanded to include 9
10 therein any additional lands or shall be contracted to exclude lands whenever such 10
11 expansion or contraction is deemed to be necessary or advisable to conform with the 11
12 purposes of this agreement. Such expansion or contraction shall be effected in the 12
13 following manner: 13

14 (a) Unit Operator, on its own motion or on demand of the Director of the 14
15 Geological Survey, hereinafter referred to as "Director", or on demand of the Com- 15
16 missioner, after preliminary concurrence by the Director and the Commissioner, shall 16
17 prepare a notice of proposed expansion or contraction describing the contemplated 17
18 changes in the boundaries of the unit area, the reasons therefor, and the proposed 18
19 effective date thereof, preferably the first day of a month subsequent to the date 19
20 of notice. 20

21 (b) Said notice shall be delivered to the Supervisor, the Commissioner 21
22 and the Commission and copies thereof mailed to the last known address of each work- 22
23 ing interest owner, lessee, and lessor whose interests are affected, advising that 23
24 30 days will be allowed for submission to the Unit Operator of any objections. 24

25 (c) Upon expiration of the 30-day period provided in the preceding item 25
26 (b) hereof, Unit Operator shall file with the Supervisor, the Commissioner and the 26
27 Commission evidence of mailing of the notice of expansion or contraction and a copy 27
28 of any objections thereto which have been filed with the Unit Operator, together 28
29 with an application in sufficient number, for approval of such expansion or con- 29
30 traction and with appropriate joinders. 30

1 (d) After due consideration of all pertinent information, the expansion 1
2 or contraction shall, upon approval by the Supervisor, the Commissioner and the Com- 2
3 mission, become effective as of the date prescribed in the notice thereof. 3

4 (e) All legal subdivisions of land (i.e., 40 acres by Government survey 4
5 or its nearest lot or tract equivalent; in instances of irregular surveys unusually 5
6 large lots or tracts shall be considered in multiples of 40 acres or the nearest ali- 6
7 quot equivalent thereof), no parts of which are entitled to be in a participating 7
8 area on or before the fifth anniversary of the effective date of the first initial 8
9 participating area established under this unit agreement, shall be eliminated auto- 9
10 matically from this agreement, effective as of said fifth anniversary, and such 10
11 lands shall no longer be a part of the unit area and shall no longer be subject to 11
12 this agreement, unless diligent drilling operations are in progress on unitized lands 12
13 not entitled to participation on said fifth anniversary, in which event all such 13
14 lands shall remain subject hereto so long as such drilling operations are continued 14
15 diligently with not more than 90 days' time elapsing between the completion of one 15
16 such well and the commencement of the next such well. All legal subdivisions of lands 16
17 not entitled to be in a participating area within 10 years after the effective 17
18 date of the first initial participating area approved under this agreement shall 18
19 be automatically eliminated from this agreement as of said tenth anniversary. All 19
20 lands proved productive by diligent drilling operations after the aforesaid 5-year 20
21 period shall become participating in the same manner as during said 5-year period. 21
22 However, when such diligent drilling operations cease, all nonparticipating lands 22
23 shall be automatically eliminated effective as of the 91st day thereafter. The Unit. 23
24 Operator shall, within 90 days after the effective date of any elimination hereunder, 24
25 describe the area so eliminated to the satisfaction of the Supervisor and the Commis- 25
26 sioner, and promptly notify all parties in interest. 26

27 If conditions warrant extension of the 10-year period specified in this 27
28 subsection 2(e), a single extension of not to exceed 2 years may be accomplished by 28
29 consent of the owners of 90% of the working interests in the current nonparticipat- 29
30 ing unitized lands and the owners of 60% of the basic royalty interests (exclusive 30

1 of the basic royalty interests of the United States) in nonparticipating unitized 1
2 lands with approval of the Director and Commissioner, provided such extension appli- 2
3 cation is submitted to the Director and Commissioner not later than 60 days prior to 3
4 the expiration of said 10-year period. 4

5 Any expansion of the unit area pursuant to this section which embraces 5
6 lands theretofore eliminated pursuant to this subsection 2(e) shall not be consider- 6
7 ed automatic commitment or recommitment of such lands. 7

8 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 8
9 agreement shall constitute land referred to herein as "unitized land" or "land sub- 9
10 ject to this agreement". All oil and gas in any and all formations of the unitized 10
11 land are unitized under the terms of this agreement and herein are called "unitized 11
12 substances". 12

13 4. UNIT OPERATOR. Exxon Corporation is hereby designated as Unit Operator 13
14 and by signature hereto as Unit Operator agrees and consents to accept the duties 14
15 and obligations of Unit Operator for the discovery, development, and production of 15
16 unitized substances as herein provided. Whenever reference is made herein to the 16
17 Unit Operator, such reference means the Unit Operator acting in that capacity and not 17
18 as an owner of interest in unitized substances, and the term "working interest owner" 18
19 when used herein shall include or refer to Unit Operator as the owner of a working 19
20 interest when such an interest is owned by it. 20

21 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the 21
22 right to resign at any time prior to the establishment of a participating area or 22
23 areas hereunder, but such resignation shall not become effective so as to release 23
24 Unit Operator from the duties and obligations of Unit Operator and terminate Unit 24
25 Operator's rights as such for a period of 6 months after notice of intention to re- 25
26 sign has been served by Unit Operator on all working interest owners and the Super- 26
27 visor, the Commissioner and the Commission, and until all wells then drilled here- 27
28 under are placed in a satisfactory condition for suspension or abandonment which- 28
29 ever is required by the Supervisor as to Federal lands and by the Commission as to 29
30 State and privately owned lands, unless a new Unit Operator shall have been selected 30

1 and approved and shall have taken over and assumed the duties and obligations of Unit 1
2 Operator prior to the expiration of said period. 2

3 Unit Operator shall have the right to resign in like manner and subject to 3
4 like limitations as above provided at any time a participating area established here- 4
5 under is in existence, but, in all instances of resignation or removal, until a suc- 5
6 cessor Unit Operator is selected and approved as hereinafter provided, the working 6
7 interest owners shall be jointly responsible for performance of the duties of Unit 7
8 Operator, and shall, not later than 30 days before such resignation or removal be- 8
9 comes effective, appoint a common agent to represent them in any action to be taken 9
10 hereunder. 10

11 The resignation of Unit Operator shall not release Unit Operator from any 11
12 liability for any default by it hereunder occurring prior to the effective date of 12
13 its resignation. 13

14 The Unit Operator may, upon default or failure in the performance of its 14
15 duties or obligations hereunder, be subject to removal by the same percentage vote 15
16 of the owners of working interests as herein provided for the selection of a new 16
17 Unit Operator. Such removal shall be effective upon notice thereof to the Supervi- 17
18 sor and the Commissioner. 18

19 The resignation or removal of Unit Operator under this agreement shall not 19
20 terminate its rights, title or interest as the owner of a working interest or other 20
21 interest in unitized substances, but upon the resignation or removal of Unit Opera- 21
22 tor becoming effective, such Unit Operator shall deliver possession of all wells, 22
23 equipment, materials and appurtenances used in conducting the unit operations to the 23
24 new duly qualified successor Unit Operator or to the common agent, if no such new 24
25 Unit Operator is elected, to be used for the purpose of conducting unit operations 25
26 hereunder. Nothing herein shall be construed as authorizing removal of any mate- 26
27 rial, equipment and appurtenances needed for the preservation of any wells. 27

28 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his 28
29 or its resignation as Unit Operator or shall be removed as hereinabove provided, or 29
30 a change of Unit Operator is negotiated by working interest owners, the owners of the 30

1 working interests in the participating area or areas according to their respective 1
2 acreage interests in such participating area or areas, or, until a participating 2
3 area shall have been established, the owners of the working interests according to 3
4 their respective acreage interests in all unitized land, shall by majority vote 4
5 select a successor Unit Operator: Provided, That, if a majority but less than 75 5
6 per cent of the working interests qualified to vote are owned by one party to this 6
7 agreement, a concurring vote of one or more additional working interest owners shall 7
8 be required to select a new operator. Such selection shall not become effective 8
9 until 9

10 (a) a Unit Operator so selected shall accept in writing the duties and re- 10
11 sponsibilities of Unit Operator, and 11

12 (b) the selection shall have been approved by the Supervisor and the Com- 12
13 missioner. 13

14 If no successor Unit Operator is selected and qualified as herein provid- 14
15 ed, the Director and Commissioner at their election may declare this unit agreement 15
16 terminated. 16

17 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 17
18 Operator is not the sole owner of working interest, costs and expenses incurred by 18
19 Unit Operator in conducting unit operations hereunder shall be paid and apportioned 19
20 among and borne by the owners of working interests, all in accordance with the agree- 20
21 ment or agreements entered into by and between the Unit Operator and the owners of 21
22 working interests, whether one or more, separately or collectively. Any agreement 22
23 or agreements entered into between the working interest owners and the Unit Opera- 23
24 tor as provided in this section, whether one or more, are herein referred to as the 24
25 "unit operating agreement". Such unit operating agreement shall also provide the 25
26 manner in which the working interest owners shall be entitled to receive their re- 26
27 spective proportionate and allocated share of the benefits accruing hereto in con- 27
28 formity with their underlying operating agreements, leases, or other independent 28
29 contracts, and such other rights and obligations as between Unit Operator and the 29
30 working interest owners as may be agreed upon by Unit Operator and the working 30

1 interest owners; however, no such unit operating agreement shall be deemed either 1
2 to modify any of the terms and conditions of this unit agreement or to relieve the 2
3 Unit Operator of any right or obligation established under this unit agreement, and 3
4 in case of any inconsistency or conflict between this unit agreement and the unit 4
5 operating agreement, this unit agreement shall govern. Three true copies of any unit 5
6 operating agreement executed pursuant to this section should be filed with the Super- 6
7 visor and one true copy with the Commissioner and one true copy with the Commission, 7
8 prior to approval of this unit agreement. 8

9 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifi- 9
10 cally provided herein, the exclusive right, privilege, and duty of exercising any and 10
11 all rights of the parties hereto which are necessary or convenient for prospecting 11
12 for producing, storing, allocating, and distributing the unitized substances are here- 12
13 by delegated to and shall be exercised by the Unit Operator as herein provided. Ac- 13
14 ceptable evidence of title to said rights shall be deposited with said Unit Operator 14
15 and, together with this agreement, shall constitute and define the rights, privileges, 15
16 and obligations of Unit Operator. Nothing herein, however, shall be construed to 16
17 transfer title to any land or to any lease or operating agreement, it being under- 17
18 stood that under this agreement the Unit Operator, in its capacity as Unit Operator, 18
19 shall exercise the rights of possession and use vested in the parties hereto only for 19
20 the purposes herein specified. 20

21 9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, 21
22 the Unit Operator shall begin to drill an adequate test well at a location approved 22
23 by the Supervisor, if on Federal land, or by the Commissioner if on State land, or 23
24 by the Commission if on fee land, unless on such effective date a well is being 24
25 drilled conformably with the terms hereof, and thereafter continue such drilling 25
26 diligently until the entire Pennsylvanian formation has been tested or until at a 26
27 lesser depth unitized substances shall be discovered which can be produced in paying 27
28 quantities (to-wit: quantities sufficient to repay the costs of drilling, complet- 28
29 ing, and producing operations, with a reasonable profit) or the Unit Operator shall 29
30 at any time establish to the satisfaction of the Supervisor if located on Federal 30

1 lands, or the Commissioner if located on State lands, or the Commission if located 1
2 on fee lands, that further drilling of said well would be unwarranted or impracti- 2
3 cable, provided, however, that Unit Operator shall not in any event be required to 3
4 drill said well to a depth in excess of 10,000 feet. Until the discovery of a deposit 4
5 of unitized substances capable of being produced in paying quantities, the Unit 5
6 Operator shall continue drilling one well at a time, allowing not more than 6 months 6
7 between the completion of one well and the beginning of the next well, until a well 7
8 capable of producing unitized substances in paying quantities is completed to the 8
9 satisfaction of said Supervisor if on Federal land, or the Commissioner if on State 9
10 land, or the Commission if on fee land, or until it is reasonably proved that the 10
11 unitized land is incapable of producing unitized substances in paying quantities in 11
12 the formations drilled hereunder. Nothing in this section shall be deemed to limit 12
13 the right of the Unit Operator to resign as provided in Section 5 hereof, or as re- 13
14 quiring Unit Operator to commence or continue any drilling during the period pend- 14
15 ing such resignation becoming effective in order to comply with the requirements of 15
16 this section. The Supervisor and Commissioner may modify the drilling requirements 16
17 of this section by granting reasonable extensions of time when, in their opinion, 17
18 such action is warranted. Upon failure to commence any well provided for in this 18
19 section within the time allowed, including any extension of time granted by the 19
20 Supervisor and Commissioner, this agreement will automatically terminate; upon fai- 20
21 lure to continue drilling diligently any well commenced hereunder, the Supervisor 21
22 and Commissioner may, after 15 days notice to the Unit Operator, declare this unit 22
23 agreement terminated. 23

24 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after 24
25 completion of a well capable of producing unitized substances in paying quantities, 25
26 the Unit Operator shall submit for the approval of the Supervisor and the Commis- 26
27 sioner an acceptable plan of development and operation for the unitized land which, 27
28 when approved by the Supervisor and the Commissioner, shall constitute the further 28
29 drilling and operating obligations of the Unit Operator under this agreement for the 29
30 period specified therein. Thereafter, from time to time before the expiration of any 30

1 existing plan, the Unit Operator shall submit for the approval of the Supervisor
2 and the Commissioner a plan for an additional specified period for the development
3 and operation of the unitized land.

4 Any plan submitted pursuant to this section shall provide for the explora-
5 tion of the unitized area and for the diligent drilling necessary for determination
6 of the area or areas thereof capable of producing unitized substances in paying quan-
7 tities in each and every productive formation and shall be as complete and adequate
8 as the Supervisor, the Commissioner and Commission may determine to be necessary for
9 timely development and proper conservation of the oil and gas resources of the uni-
10 tized area and shall:

- 11 (a) specify the number and locations of any wells
12 to be drilled and the proposed order and time for
13 such drilling; and
- 14 (b) to the extent practicable, specify the operating
15 practices regarded as necessary and advisable for
16 proper conservation of natural resources.

17 Separate plans may be submitted for separate productive zones, subject to the ap-
18 proval of the Supervisor, the Commissioner and the Commission.

19 Plans shall be modified or supplemented when necessary to meet changed
20 conditions or to protect the interests of all parties to this agreement. Reason-
21 able diligence shall be exercised in complying with the obligations of the approved
22 plan of development. The Supervisor and Commissioner are authorized to grant a rea-
23 sonable extension of the 6-month period herein prescribed for submission of an
24 initial plan of development where such action is justified because of unusual con-
25 ditions or circumstances. After completion hereunder of a well capable of producing
26 any unitized substances in paying quantities, no further wells, except such as may
27 be necessary to afford protection against operations not under this agreement and
28 such as may be specifically approved by the Supervisor and the Commissioner, shall
29 be drilled except in accordance with a plan of development approved as herein pro-
30 vided.

1 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of 1
2 producing unitized substances in paying quantities or as soon thereafter as required 2
3 by the Supervisor and Commissioner, the Unit Operator shall submit for approval by the 3
4 Supervisor and Commissioner a schedule, based on subdivisions of the public land sur- 4
5 vey or aliquot parts thereof, of all land then regarded as reasonably proved to be 5
6 productive in paying quantities; all lands in said schedule on approval of the Super- 6
7 visor and Commissioner to constitute a participating area, effective as of the date of 7
8 completion of such well or the effective date of this unit agreement, whichever is 8
9 later. The acreages of both Federal and non-Federal lands shall be based upon appro- 9
10 priate computations from the courses and distances shown on the last approved public 10
11 land survey as of the effective date of each initial participating area. Said sche- 11
12 dule shall also set forth the percentage of unitized substances to be allocated as 12
13 herein provided to each tract in the participating area so established, and shall 13
14 govern the allocation of production commencing with the effective date of the partici- 14
15 pating area. A separate participating area shall be established for each separate 15
16 pool or deposit of unitized substances or for any group thereof which is produced as 16
17 a single pool or zone, and any two or more participating areas so established may be 17
18 combined into one, on approval of the Supervisor and Commissioner. When production 18
19 from two or more participating areas, so established, is subsequently found to be 19
20 from a common pool or deposit said participating areas shall be combined into one 20
21 effective as of such appropriate date as may be approved or prescribed by the Super- 21
22 visor and Commissioner. The participating area or areas so established shall be re- 22
23 vised from time to time, subject to like approval, to include additional land then 23
24 regarded as reasonably proved to be productive in paying quantities or necessary for 24
25 unit operations, or to exclude land then regarded as reasonably proved not to be pro- 25
26 ductive in paying quantities and the schedule of allocation percentages shall be 26
27 revised accordingly. The effective date of any revision shall be the first day of 27
28 the month in which is obtained the knowledge or information on which such revision is 28
29 predicated, provided, however, that a more appropriate effective date may be used if 29
30 justified by the Unit Operator and approved by the Supervisor and Commissioner. No 30

1 land shall be excluded from a participating area on account of depletion of the uni- 1
2 tized substances, except that any participating area established under the provisions 2
3 of this unit agreement shall terminate automatically whenever all completions in the 3
4 formation on which the participating area is based are abandoned. 4

5 It is the intent of this section that a participating area shall represent 5
6 the area known or reasonably estimated to be productive in paying quantities, but, re- 6
7 gardless of any revision of the participating area, nothing herein contained shall be 7
8 construed as requiring any retroactive adjustment for production obtained prior to the 8
9 effective date of the revision of the participating area. 9

10 In the absence of agreement at any time between the Unit Operator and the 10
11 Supervisor and Commissioner as to the proper definition or redefinition of a partici- 11
12 pating area, or until a participating area has, or areas have, been established as 12
13 provided herein, the portion of all payments affected thereby shall be impounded in 13
14 a manner mutually acceptable to the owners of working interests and the Supervisor 14
15 and Commissioner. Royalties due the United States and the State of New Mexico, which 15
16 shall be determined by the Supervisor for Federal land and the Commissioner for State 16
17 land and the amount thereof shall be deposited, as directed by the Supervisor and 17
18 Commissioner respectively, to be held as unearned money until a participating area is 18
19 finally approved and then applied as earned or returned in accordance with a determi- 19
20 nation of the sum due as Federal and State royalty on the basis of such approved 20
21 participating area. 21

22 Whenever it is determined, subject to the approval of the Supervisor as to 22
23 wells drilled on Federal land and of the Commissioner as to wells drilled on State 23
24 land, that a well drilled under this agreement is not capable of production in pay- 24
25 ing quantities and inclusion of the land on which it is situated in a participating 25
26 area is unwarranted, production from such well shall, for the purposes of settlement 26
27 among all parties other than working interest owners, be allocated to the land on 27
28 which the well is located unless such land is already within the participating area 28
29 established for the pool or deposit from which such production is obtained. Settle- 29
30 ment for working interest benefits from such a well shall be made as provided in the 30

1 unit operating agreement. 1

2 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 2
3 participating area established under this agreement, except any part thereof used in 3
4 conformity with good operating practices within the unitized area for drilling, operat- 4
5 ing, camp and other production or development purposes for repressuring or recycling 5
6 in accordance with a plan of development approved by the Supervisor and Commissioner, 6
7 or unavoidably lost, shall be deemed to be produced equally on an acreage basis from 7
8 the several tracts of unitized land of the participating area established for such 8
9 production and, for the purpose of determining any benefits accruing under this agree- 9
10 ment, each such tract of unitized land shall have allocated to it such percentage of 10
11 said production as the number of acres of such tract included in said participating 11
12 area bears to the total acres of unitized land in said participating area, except that 12
13 allocation of production hereunder, for purposes other than for settlement of the 13
14 royalty, overriding royalty, or payment out of production obligations of the re- 14
15 spective working interest owners shall be on the basis prescribed in the unit operat- 15
16 ing agreement whether in conformity with the basis of allocation herein set forth or 16
17 otherwise. It is hereby agreed that production of unitized substances from a par- 17
18 ticipating area shall be allocated as provided herein regardless of whether any wells 18
19 are drilled on any particular part or tract of said participating area. If any gas 19
20 produced from one participating area is used for repressuring or recycling purposes 20
21 in another participating area, the first gas withdrawn from such last-mentioned par- 21
22 ticipating area for sale during the life of this agreement shall be considered to be 22
23 the gas so transferred until an amount equal to that transferred shall be so produced 23
24 for sale and such gas shall be allocated to the participating area from which initial- 24
25 ly produced as such area was last defined at the time of such final production. 25

26 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 26
27 Any party hereto owning or controlling the working interest in any unitized land hav- 27
28 ing thereon a regular well location may with the approval of the Supervisor as to 28
29 Federal land, the Commissioner as to State land and the Commission as to privately 29
30 owned land, at such party's sole risk, cost and expense, drill a well to test any 30

1 formation for which a participating area has not been established or to test any 1
2 formation for which a participating area has been established if such location is 2
3 not within said participating area, unless within 90 days of receipt of notice from 3
4 said party of his intention to drill the well the Unit Operator elects and commences 4
5 to drill such a well in like manner as other wells are drilled by the Unit Operator 5
6 under this agreement. 6

7 If any well drilled as aforesaid by a working interest owner results in pro- 7
8 duction such that the land upon which it is situated may properly be included in a 8
9 participating area, such participating area shall be established or enlarged as pro- 9
10 vided in this agreement and the well shall thereafter be operated by the Unit Operator 10
11 in accordance with the terms of this agreement and the unit operating agreement. 11

12 If any well drilled as aforesaid by a working interest owner obtains produc- 12
13 tion in quantities insufficient to justify the inclusion of the land upon which such 13
14 well is situated in a participating area, such well may be operated and produced by 14
15 the party drilling the same subject to the conservation requirements of this agree- 15
16 ment. The royalties in amount or value of production from any such well shall be paid 16
17 as specified in the underlying lease and agreements affected. 17

18 14. ROYALTY SETTLEMENT. The United States and any State and any royalty 18
19 owner who is entitled to take in kind a share of the substances now unitized here- 19
20 under shall hereafter be entitled to the right to take in kind its share of the uni- 20
21 tized substances, and the Unit Operator, or the working interest owner in case of the 21
22 operation of a well by a working interest owner as herein provided for in special 22
23 cases, shall make deliveries of such royalty share taken in kind in conformity with 23
24 the applicable contracts, laws and regulations. Settlement for royalty interest 24
25 not taken in kind shall be made by working interest owners responsible therefor under 25
26 existing contracts, laws and regulations, or by the Unit Operator, on or before the 26
27 last day of each month for unitized substances produced during the preceding calen- 27
28 dar month; provided, however, that nothing herein contained shall operate to relieve 28
29 the lessees of any land from their respective lease obligations for the payment of 29
30 any royalties due under their leases. 30

1 If gas obtained from lands not subject to this agreement is introduced 1
2 into any participating area hereunder, for use in repressuring, stimulation or 2
3 production, or increasing ultimate recovery, in conformity with a plan of opera- 3
4 tions approved by the Supervisor, the Commissioner, and Commission, a like amount 4
5 of gas, after settlement as herein provided for any gas transferred from any other 5
6 participating area and with appropriate deduction for loss from any cause, may be 6
7 withdrawn from the formation in which the gas is introduced, royalty free as to dry 7
8 gas, but not as to any products which may be extracted therefrom; provided that such 8
9 withdrawal shall be at such time as may be provided in the approved plan of operations 9
10 or as may otherwise be consented to by the Supervisor, the Commissioner and Commission 10
11 as conforming to good petroleum engineering practice; and provided further, that such 11
12 right of withdrawal shall terminate on the termination of this unit agreement. 12

13 Royalty due the United States shall be computed as provided in the operating 13
14 regulations and paid in value or delivered in kind as to all unitized substances on 14
15 the basis of the amounts thereof allocated to unitized Federal land as provided here- 15
16 in at the rate specified in the respective Federal leases, or at such lower rate or 16
17 rates as may be authorized by law or regulation; provided, that for leases on which 17
18 the royalty rate depends on the daily average production per well, said average pro- 18
19 duction shall be determined in accordance with the operating regulations as though 19
20 each participating area were a single consolidated lease. 20

21 Royalty due on account of State lands shall be computed and paid on the 21
22 basis of all unitized substances allocated to such lands. 22

23 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed 23
24 hereto shall be paid by working interest owners responsible therefor under existing 24
25 contracts, laws and regulations, provided that nothing herein contained shall opera- 25
26 ate to relieve the lessees of any land from their respective lease obligations for 26
27 the payment of any rental or minimum royalty due under their leases. Rental or mini- 27
28 mum royalty for lands of the United States subject to this agreement shall be paid at 28
29 the rate specified in the respective leases from the United States unless such rental 29
30 or minimum royalty is waived, suspended or reduced by law or by approval of the Secre- 30

1 tary or his duly authorized representative. 1

2 Rentals on State of New Mexico lands subject to this agreement shall be 2

3 paid at the rates specified in the respective leases. 3

4 With respect to any lease on non-Federal land containing provisions which 4

5 would terminate such lease unless drilling operations are commenced upon the land 5

6 covered thereby within the time therein specified or rentals are paid for the privi- 6

7 lege of deferring such drilling operations, the rentals required thereby shall, not- 7

8 withstanding any other provisions of this agreement be deemed to accrue and become 8

9 payable during the term thereof as extended by this agreement and until the required 9

10 drilling operations are commenced upon the land covered thereby or until some portion 10

11 of such land is included within a participating area. 11

12 16. CONSERVATION. Operations hereunder and production of unitized sub- 12

13 stances shall be conducted to provide for the most economical and efficient recovery 13

14 of said substances without waste, as defined by or pursuant to State or Federal laws 14

15 or regulations. 15

16 17. DRAINAGE. The Unit Operator shall take such measures as the Super- 16

17 visor and Commissioner deem appropriate and adequate to prevent drainage of unitized 17

18 substances from unitized land by wells on land not subject to this agreement. 18

19 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions 19

20 and provisions of all leases, subleases and other contracts relating to exploration, 20

21 drilling, development or operations for oil or gas on lands committed to this agree- 21

22 ment are hereby expressly modified and amended to the extent necessary to make the 22

23 same conform to the provisions hereof, but otherwise to remain in full force and ef- 23

24 fect; and the parties hereto hereby consent that the Secretary as to Federal leases 24

25 and the Commissioner as to State leases shall and each by his approval hereof, or by 25

26 the approval hereof by their duly authorized representatives, do hereby establish, 26

27 alter, change or revoke the drilling, producing, rental minimum royalty and royalty 27

28 requirements of Federal and State leases committed hereto and the regulations in re- 28

29 spect thereto to conform said requirements to the provisions of this agreement, and, 29

30 without limiting the generality of the foregoing, all leases, subleases, and con- 30

1 tracts are particularly modified in accordance with the following:

2 (a) The development and operation of lands subject to this agreement 2
3 under the terms hereof shall be deemed full performance of all obliga- 3
4 tions for development and operation with respect to each and every sepa- 4
5 rately owned tract subject to this agreement, regardless of whether 5
6 there is any development of any particular tract of the unit area. 6

7 (b) Drilling and producing operations performed hereunder upon any 7
8 tract of unitized land will be accepted and deemed to be performed upon 8
9 and for the benefit of each and every tract of unitized land, and no 9
10 lease shall be deemed to expire by reason of failure to drill or produce 10
11 wells situated on the land therein embraced. 11

12 (c) Suspension of drilling or producing operations on all unitized 12
13 lands pursuant to direction or consent of the Secretary and Commission- 13
14 er or their duly authorized representatives shall be deemed to consti- 14
15 tute such suspension pursuant to such direction or consent as to each 15
16 and every tract of unitized land. A suspension of drilling or produc- 16
17 ing operations limited to specified lands shall be applicable only to 17
18 such lands. 18

19 (d) Each lease, sublease or contract relating to the exploration, drill- 19
20 ing, development or operation for oil or gas of lands other than those of 20
21 the United States or State of New Mexico committed to this agreement, 21
22 which, by its terms might expire prior to the termination of this agree- 22
23 ment, is hereby extended beyond any such term so provided therein so that 23
24 it shall be continued in full force and effect for and during the term of 24
25 this agreement. 25

26 (e) Any Federal lease for a fixed term of twenty (20) years or any renewal 26
27 thereof or any part of such lease which is made subject to this agreement 27
28 shall continue in force beyond the term provided therein until the termi- 28
29 nation hereof. Any other Federal lease committed hereto shall continue in 29
30 force beyond the term so provided therein or by law as to the land committed 30

1 so long as such lease remains subject hereto, provided that production 1
2 is had in paying quantities under this unit agreement prior to the expi- 2
3 ration date of the terms of such lease, or in the event actual drilling 3
4 operations are commenced on unitized lands, in accordance with the pro- 4
5 visions of this agreement, prior to the end of the primary term of such 5
6 lease and are being diligently prosecuted at that time, such lease shall 6
7 be extended for two years and so long thereafter as oil or gas is produc- 7
8 ed in paying quantities in accordance with the provisions of the Mineral 8
9 Leasing Act Revision of 1960. 9

10 (f) Each sublease or contract relating to the operation and development 10
11 of unitized substances from lands of the United States committed to this 11
12 agreement, which by its terms would expire prior to the time at which the 12
13 underlying lease, as extended by the immediately preceding paragraph, will 13
14 expire, is hereby extended beyond any such term so provided therein so that 14
15 it shall be continued in full force and effect for and during the term of 15
16 the underlying lease as such term is herein extended. 16

17 (g) Any lease embracing lands of the State of New Mexico which is made 17
18 subject to this agreement, shall continue in force beyond the term pro- 18
19 vided therein as to the lands committed hereto until the termination 19
20 hereof, subject to the provisions of subsection (e) of Section 2 and sub- 20
21 section (i) of this Section 18. 21

22 (h) The segregation of any Federal lease committed to this agreement is 22
23 governed by the following provisions in the fourth paragraph of Sec. 17(j) 23
24 of the Mineral Leasing Act, as amended by the Act of September 2, 1960 24
25 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter commit- 25
26 ted to any such (unit) plan embracing lands that are in part within and 26
27 in part outside of the area covered by any such plan shall be segregated 27
28 into separate leases as to the lands committed and the lands not committed 28
29 as of the effective date of unitization: Provided, however, That any such 29
30 lease as to the nonunitized portion shall continue in force and effect for 30

1 the term thereof but for not less than two years from the date of such 1
2 segregation and so long thereafter as oil or gas is produced in paying 2
3 quantities." 3

4 (i) Any lease embracing lands of the State of New Mexico having only a 4
5 portion of its lands committed hereto, shall be segregated as to the por- 5
6 tion committed and the portion not committed, and the provisions of such 6
7 lease shall apply separately to such segregated portions commencing as of 7
8 the effective date hereof; provided, however, notwithstanding any of the 8
9 provisions of this agreement to the contrary any lease embracing lands 9
10 of the State of New Mexico having only a portion of its lands committed 10
11 hereto shall continue in full force and effect beyond the term provided 11
12 therein as to all lands embraced in such lease, if oil or gas is dis- 12
13 covered and is capable of being produced in paying quantities from some 13
14 part of the lands embraced in such lease at the expiration of the second- 14
15 ary term of such lease; or if, at the expiration of the secondary term, 15
16 the lessee or Unit Operator is then engaged in bona fide drilling or re- 16
17 working operations on some part of the lands embraced in such lease, the 17
18 same, as to all lands embraced therein, shall remain in full force and ef- 18
19 fect so long as such operations are being diligently prosecuted, and if 19
20 they result in the production of oil or gas, said lease shall continue in 20
21 full force and effect as to all of the lands embraced therein, so long 21
22 thereafter as oil or gas in paying quantities is being produced from any 22
23 portion of said lands. 23

24 (j) Any lease, other than a Federal lease, having only a portion of its 24
25 lands committed hereto shall be segregated as to the portion committed 25
26 and the portion not committed, and the provisions of such lease shall 26
27 apply separately to such segregated portions commencing as of the effec- 27
28 tive date hereof. In the event any such lease provides for a lump sum 28
29 rental payment, such payment shall be prorated between the portions so 29
30 segregated in proportion to the acreage of the respective tracts. 30

1 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 1
2 to be covenants running with the land with respect to the interest of the parties 2
3 hereto and their successors in interest until this agreement terminates, and any 3
4 grant, transfer, or conveyance of interest in land or leases subject hereto shall 4
5 be and hereby is conditioned upon the assumption of all privileges and obligations 5
6 hereunder by the grantee, transferee or other successor in interest. No assignment 6
7 or transfer of any working interest, royalty, or other interest subject hereto shall 7
8 be binding upon Unit Operator until the first day of the calendar month after Unit 8
9 Operator is furnished with the original, photostatic, or certified copy of the 9
10 instrument of transfer. 10

11 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 11
12 approval by the Secretary and Commissioner, or their duly authorized representatives 12
13 and shall terminate five (5) years from said effective date unless: 13

14 (a) such date of expiration is extended by the Director and Commission- 14
15 er, or 15

16 (b) it is reasonably determined prior to the expiration of the fixed 16
17 term or any extension thereof that the unitized land is incapable of 17
18 production of unitized substances in paying quantities in the formations 18
19 tested hereunder and after notice of intention to terminate the agreement 19
20 on such ground is given by the Unit Operator to all parties in interest 20
21 at their last known addresses, the agreement is terminated with the ap- 21
22 proval of the Supervisor and the Commissioner, or 22

23 (c) a valuable discovery of unitized substances has been made or accept- 23
24 ed on unitized land during said initial term or any extension thereof, in 24
25 which event the agreement shall remain in effect for such term and so long 25
26 as unitized substances can be produced in quantities sufficient to pay for 26
27 the cost of producing same from wells on unitized land within any partici- 27
28 pating area established hereunder and, should production cease, so long 28
29 thereafter as diligent operations are in progress for the restoration of 29
30 production or discovery of new production and so long thereafter as unitiz- 30

1
2 ed substances so discovered can be produced as aforesaid, or 2

3 (d) it is terminated as heretofore provided in this agreement. 3

4 This agreement may be terminated at any time by not less than 75 per centum, on 4
5 an acreage basis, of the working interest owners signatory hereto, with the approval 5
6 of the Supervisor and Commissioner; notice of any such approval to be given by the 6
7 Unit Operator to all parties hereto. 7

8 21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is 8
9 hereby vested with authority to alter or modify from time to time in his discretion 9
10 the quantity and rate of production under this agreement when such quantity and rate 10
11 is not fixed pursuant to Federal or State law or does not conform to any statewide 11
12 voluntary conservation or allocation program, which is established, recognized and 12
13 generally adhered to by the majority of operators in such State, such authority be- 13
14 ing hereby limited to alteration or modification in the public interest, the purpose 14
15 thereof and the public interest to be served thereby to be stated in the order of 15
16 alteration or modification. Without regard to the foregoing, the Director is also 16
17 hereby vested with authority to alter or modify from time to time in his discretion 17
18 the rate of prospecting and development and the quantity and rate of production 18
19 under this agreement when such alteration or modification is in the interest of 19
20 attaining the conservation objectives stated in this agreement and is not in viola- 20
21 tion of any applicable Federal or State law; provided, further, that no such altera- 21
22 tion or modification shall be effective as to any land of the State of New Mexico; 22
23 as to the rate of prospecting and developing in the absence of the specific written 23
24 approval thereof by the Commissioner and as to any lands of the State of New Mexico 24
25 or privately owned lands subject to this agreement as to the quantity and rate of 25
26 production in the absence of specific written approval thereof by the Commission. 26

27 Powers in this section vested in the Director shall only be exercised after 27
28 notice to Unit Operator and opportunity for hearing to be held not less than 15 days 28
29 from notice. 29

30 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working 30

1
2 interest owners nor any of them shall be subject to any forfeiture, termination
3 or expiration of any rights hereunder or under any leases or contracts subject
4 hereto; or to any penalty or liability on account of delay or failure in whole or
5 in part to comply with any applicable provision thereof to the extent that the Unit
6 Operator, working interest owners or any of them are hindered, delayed or prevented
7 from complying therewith by reason of failure of the Unit Operator to obtain in the
8 exercise of due diligence, the concurrence of proper representatives of the United
9 States and proper representatives of the State of New Mexico in and about any matters
10 or things concerning which it is required herein that such concurrence be obtained.
11 The parties hereto, including the Commission, agree that all powers and authority
12 vested in the Commission in and by any provisions of this agreement are vested in
13 the Commission and shall be exercised by it pursuant to the provisions of the laws
14 of the State of New Mexico and subject to any case to appeal or judicial review as
15 may now or hereafter be provided by the laws of the State of New Mexico.

16 23. APPEARANCES. Unit Operator shall, after notice to other parties af-
17 fected, have the right to appear for and on behalf of any and all interests affected
18 hereby before the Department of the Interior, the Commissioner of Public Lands of
19 the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal
20 from orders issued under the regulations of said Department, the Commission or Com-
21 missioner of to apply for relief from any of said regulations or in any proceedings
22 relative to operations before the Department of the Interior, the Commissioner, or
23 Commission, or any other legally constituted authority; provided, however that any
24 other interested party shall also have the right at his own expense to be heard in
25 any such proceeding.

26 24. NOTICES. All notices, demands or statements required hereunder to
27 be given or rendered to the parties hereto shall be deemed fully given if given in
28 writing and personally delivered to the party or sent by postpaid registered or cer-
29 tified mail, addressed to such party or parties at their respective addresses set
30 forth in connection with the signatures hereto or to the ratification or consent

1 hereof or to such other address as any such party may have furnished in writing to 1
2 party sending the notice, demand or statement. 2

3 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 3
4 shall be construed as a waiver by any party hereto of the right to assert any legal 4
5 or constitutional right or defense as to the validity or invalidity of any law of the 5
6 State wherein said unitized lands are located, or of the United States, or regula- 6
7 tions issued thereunder in any way affecting such party, or as a waiver by any 7
8 such party of any right beyond his or its authority to waive. 8

9 26. UNAVOIDABLE DELAY. All obligations under this agreement requiring 9
10 the Unit Operator to commence or continue drilling or to operate on or produce uni- 10
11 tized substances from any of the lands covered by this agreement shall be suspended 11
12 while the Unit Operator, despite the exercise of due care and diligence, is prevent- 12
13 ed from complying with such obligations, in whole or in part, by strikes, acts of 13
14 God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrol- 14
15 lable delays in transportation, inability to obtain necessary materials in open 15
16 market, or other matters beyond the reasonable control of the Unit Operator whether 16
17 similar to matters herein enumerated or not. No unit obligation which is suspend- 17
18 ed under this section shall become due less than thirty (30) days after it has been 18
19 determined that the suspension is no longer applicable. Determination of creditable 19
20 "Unavoidable Delay" time shall be made by the Unit Operator subject to approval of 20
21 the Supervisor and Commissioner. 21

22 27. NONDISCRIMINATION. In connection with the performance of work under 22
23 this agreement, the operator agrees to comply with all of the provisions of Section 23
24 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which 24
25 are hereby incorporated by reference in this agreement. 25

26 28. LOSS OF TITLE. In the event title to any tract of unitized land 26
27 shall fail and the true owner cannot be induced to join in this unit agreement, such 27
28 tract shall be automatically regarded as not committed hereto and there shall be 28
29 such readjustment of future costs and benefits as may be required on account of the 29
30 loss of such title. In the event of a dispute as to title to any royalty, working 30

1 interest or other interests subject thereto, payment or delivery on account thereof 1
2 may be withheld without liability for interest until the dispute is finally settled; 2
3 provided, that, as to Federal and State land or leases, no payments of funds due the 3.
4 United States or State of New Mexico should be withheld, but such funds of the United 4
5 States shall be deposited as directed by the Supervisor and such funds of the State of 5
6 New Mexico shall be deposited as directed by the Commissioner to be held as unearned 6
7 money pending final settlement of the title dispute, and then applied as earned or 7
8 returned in accordance with such final settlement. 8

9 Unit Operator as such is relieved from any responsibility for any defect 9
10 or failure of any title hereunder. 10

11 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial 11
12 interest in a tract within the unit area fails or refuses to subscribe or consent 12
13 to this agreement, the owner of the working interest in that tract may withdraw 13
14 said tract from this agreement by written notice delivered to the Supervisor and 14
15 the Commissioner and the Unit Operator prior to the approval of this agreement by 15
16 the Supervisor and Commissioner. Any oil or gas interests in lands within the unit 16
17 area not committed hereto prior to submission of this agreement for final approval 17
18 may thereafter be committed hereto by the owner or owners thereof subscribing or 18
19 consenting to this agreement, and, if the interest is a working interest, by the 19
20 owner of such interest also subscribing to the unit operating agreement. After 20
21 operations are commenced hereunder, the right of subsequent joinder, as provided 21
22 in this section, by a working interest owner is subject to such requirements or 22
23 approvals, if any, pertaining to such joinder, as may be provided for in the unit 23
24 operating agreement. After final approval hereof, joinder by a non-working inter- 24
25 est owner must be consented to in writing by the working interest owner committed 25
26 hereto and responsible for the payment of any benefits that may accrue hereunder 26
27 in behalf of such non-working interest. A non-working interest may not be commit- 27
28 ted to this unit agreement unless the corresponding working interest is committed 28
29 hereto. Joinder to the unit agreement by a working interest owner, at any time, 29
30 must be accompanied by appropriate joinder to the unit operating agreement, if more 30

1 than one committed working interest owner is involved, in order for the interest to 1
2 be regarded as committed to this unit agreement. Except as may otherwise herein be 2
3 provided subsequent joinders to this agreement shall be effective as of the first day 3
4 of the month following the filing with the Supervisor and the Commissioner of duly 4
5 executed counterparts of all or any papers necessary to establish effective commit- 5
6 ment of any tract to this agreement unless objection to such joinder is duly made 6
7 within 60 days by the Supervisor, provided, however, that as to State lands all sub- 7
8 sequent joinders must be approved by the Commissioner. 8

9 30. COUNTERPARTS. This agreement may be executed in any number of coun- 9
10 terparts no one of which needs to be executed by all parties or may be ratified or 10
11 consented to by separate instrument in writing specifically referring hereto and 11
12 shall be binding upon all those parties who executed such a counterpart, ratifica- 12
13 tion, or consent hereto with the same force and effect as if all such parties had 13
14 signed the same document and regardless of whether or not it is executed by all 14
15 other parties owning or claiming an interest in the lands within the above describ- 15
16 ed unit area. 16

17 31. NO PARTNERSHIP. It is expressly agreed that the relation of the par- 17
18 ties hereto is that of independent contractors and nothing in this agreement con- 18
19 tained, expressed or implied, nor any operations conducted hereunder, shall create 19
20 or be deemed to have created a partnership or association between the parties hereto 20
21 or any of them. 21

22 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be 22
23 executed and have set opposite their respective names the date of execution. 23

24 EXXON CORPORATION 24

25
26 Date: _____ 25
26

26 By: _____ 26
27 B. D. HOLLAND, ATTORNEY IN FACT 27

27 ADDRESS: P. O. Box 1600 27
28 Midland, Texas 79701 28
29
30

1		GETTY OIL COMPANY	1
2	ATTEST:		2
3		By _____	3
4		_____	4
5	Dated _____		5
6	ADDRESS: _____		6
7		_____	7
8			8
9	THE STATE OF TEXAS §		9
10	COUNTY OF MIDLAND §		10
11	The foregoing instrument was acknowledged before me this		11
12	_____ day of _____, 1976, by B. D. HOLLAND, Attorney		12
13	in Fact of EXXON CORPORATION, on behalf of said corporation.		13
14	My Commission Expires: _____	Notary Public in and for	14
15		Midland County, Texas.	15
16			16
17			17
18	THE STATE OF	§	18
19	COUNTY OF	§	19
20	The foregoing instrument was acknowledged before me this		20
21	_____ day of _____, 1976, by _____,		21
22	_____ of GETTY OIL COMPANY, on behalf		22
23	of said corporation.		23
24	My Commission Expires: _____	Notary Public in and for	24
25		Said County and State.	25
26			26
27			27
28			28
29			29
30			30

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	WORKING OWNERS
<u>FEDERAL LANDS:</u>							
1	All Sec. 14-17S-1E	640.00	NM-9128 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty O
2	All Secs. 8&9-16S-1E	1,280.00	NM-9135 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty O
3	SW/4 Sec. 27, All Sec. 34, All Sec. 35, T-16-S, R-1-E	1,440.00	NM-9699 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon C
4	S/2 NW/4 and NE/4 NW/4 Sec. 27; W/2 and SE/4 Sec. 28; All Sec. 30, All Sec. 33-16S-1E	1,871.01	NM-9700 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon C
5	N/2 and N/2 SW/4, S/2 SE/4 Sec. 22, All Sec. 26, E/2 Sec. 27-16S-1E	1,440.00	NM-9701 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon C
6	All Sec. 18, All Sec. 19, All Sec. 20, All Sec. 21, T-16-S, R-1-E	2,537.91	NM-9702 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon C
7	All Sec. 6 and All Sec. 17, T-16-S, R-1-E	1,266.22	NM-9703 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon C
8	N/2 NW/4, SE/4 NW/4, E/2 Sec. 10; All Sec. 15-16S-1W	1,080.00	NM-9896 12-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon C
9	All Sec. 7, T-16-S, R-1-E	629.69	NM-10253 8-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon C
10	All Sec. 24, T-16-S, R-1-W	640.00	NM-10315 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty O
11	All Sec. 1, Lots 1-3, S/2 N/2, S/2 Sec. 4, and All Sec. 10, T-17-S, R-1-E	1,881.34	NM-10320 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty O
12	All Sec. 13, T-17-S, R-1-E	640.00	NM-10321 11-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty O
13	All Sec. 12 and All Sec. 13 T-16-S, R-1-W	1,280.00	NM-10656 2-29-80	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon C

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

Page 1 of 4

	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	WORKING INTEREST OWNERS & PERCENTAGE
	640.00	NM-9128 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co. - 100%
	1,280.00	NM-9135 4-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co. - 100%
34, R-1-E	1,440.00	NM-9699 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
4 Sec. 28; All 16S-1E	1,871.01	NM-9700 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
SE/4 E/2	1,440.00	NM-9701 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
19, 21,	2,537.91	NM-9702 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
ec. 17,	1,266.22	NM-9703 9-30-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
E/2 16S-1W	1,080.00	NM-9896 12-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%
R-1-E	629.69	NM-10253 8-31-79	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. -100%
R-1-W	640.00	NM-10315 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co.-100%
S/2 All -E	1,881.34	NM-10320 10-31-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co.-100%
R-1-E	640.00	NM-10321 11-30-79	USA-12 $\frac{1}{2}$ %	Getty Oil Co.-All	None	Getty Oil Co.-100%
Sec. 13	1,280.00	NM-10656 2-29-80	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	Exxon Corp. - 100%

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANNA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE		BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	W
<u>FEDERAL LANDS: (Contin'd)</u>								
14	All Sec. 1, All Sec. 11, All Sec. 14, T-16-S, R-1-W	1,919.69	NM-13214	2-28-81	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR - Beard Oil Co.	E
15	All Sec. 3, T-17-S, R-1-E	642.06	NM-16061	6-30-82	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR - Beard Oil Co.	E
16	Lot 4 Sec. 4, T-17-S, R-1-E	40.87	NM-16294	7-31-82	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	12 $\frac{1}{2}$ % of 8/8 ORR - Great Western Drilg. Co.	
17	All Sec. 11 & All Sec. 12 T-17-S, R-1-E	1,280.00	NM-18669	3-31-84	USA-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	E
TOTAL: 17 TRACTS FEDERAL LANDS -		20,508.79 ACRES, 82.33311% of the UNIT AREA						
<u>STATE LANDS:</u>								
18	All Sec. 2, T-17-S, R-1-E	641.49	LG-1646	3-1-84	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	E
19	All Sec. 2, T-16-S, R-1-W	639.69	LG-1706	3-1-84	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	E
20	All Sec. 16, T-16-S, R-1-E	640.00	L-3823-1	11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	E
21	N/2 SE/4 & S/2 SW/4 Sec. 22; NW/4 NW/4 Sec. 27; and NE/4 NE/4 and S/2 NE/4 Sec. 28, T-16-S, R-1-E	320.00	L-3824-1	11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	E
22	All Sec. 32 and All Sec. 36, T-16-S, R-1-E	1,280.00	L-3825-1	11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	
23	All Sec. 3, T-16-S, R-1-W	639.56	L-3827-1	11-18-79	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	5% of 8/8 ORR-Beard Oil Co.	
24	SW/4 NW/4 Sec. 10, T-16-S, R-1-W	40.00	LG-3839	10-1-86	State of NM-12 $\frac{1}{2}$ %	Exxon Corp.-All	None	
TOTAL: 7 TRACTS STATE OF NEW MEXICO LAND -		4,200.74 ACRES, 16.86399% of the UNIT AREA						

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EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS
<u>FEE LANDS:</u>						
25	SW/4 Sec. 10, T-16-S, R-1-W	160.00	Exxon Lease No. 635129-001 2-25-86 Lewis D. Cain, Jr. et al	Lewis D. Cain, Jr., et ux - 1/2 of 1/8 All Bennie L. Cain, et ux - 1/2 of 1/8	Exxon Corp.	None
26	NW/4 NE/4 Sec. 28, T-16-S, R-1-E	40.00	Exxon Lease No. 635129-001 2-25-86 Robert M. Timberlake	Robert M. Timberlake - 1/16 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-002 1-23-81 Mrs. Edgar Timberlake	Mrs. Edgar Timberlake - 5/16 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-003 1-23-81 Beverly Timberlake Sutphen	Beverly Timberlake Sutphen - 1/16 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-004 4-26-81 Bonnie Mae Timberlake	Bonnie Mae Timberlake 1/64 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635129-005 6-23-81 Richard Dudley Timberlake	Richard Dudley Timberlake 3/128 of 1/8	Exxon Corp.-All	None

EXHIBIT "B"
PRISON UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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D	<u>NO. OF ACRES</u>	<u>LEASE NO. & EXP. DATE OF LEASE</u>	<u>BASIC ROYALTY & PERCENTAGE</u>	<u>LESSEE OF RECORD</u>	<u>OVERRIDING ROYALTY OR PRODUCTION PAYMENTS</u>	<u>WORKING INTEREST OWNERS & PERCENTAGE</u>
6-S, R-1-W	160.00	Exxon Lease No. 635129-001 2-25-86 Lewis D. Cain, Jr. et al	Lewis D. Cain, Jr., et ux - 1/2 of 1/8 Bennie L. Cain, et ux - 1/2 of 1/8	Exxon Corp. All	None	Exxon Corp. - 100%
	40.00	Exxon Lease No. 635129-001 2-25-86 Robert M. Timberlake	Robert M. Timberlake - 1/16 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-002 1-23-81 Mrs. Edgar Timberlake	Mrs. Edgar Timberlake - 5/16 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-003 1-23-81 Beverly Timberlake Sutphen	Beverly Timberlake Sutphen - 1/16 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-004 4-26-81 Bonnie Mae Timberlake	Bonnie Mae Timberlake 1/64 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635129-005 6-23-81 Richard Dudley Timberlake	Richard Dudley Timberlake 3/128 of 1/8	Exxon Corp.-All	None	Exxon Corp.- 100%

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

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TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS
<u>FEE LANDS:</u> (Contin'd)						
26	NW/4 NE/4 Sec. 28, (Continued) T-16-S, R-1-E		Exxon Lease No. 635186-001 3-15-81 Lewis D. Cain, Jr., ux - 1/8 of 1/8 et al	Lewis D. Cain, Jr., et ux - 1/8 of 1/8 Bennie L. Cain, et ux - 1/8 of 1/8	Exxon Corp.-All	None
			Exxon Lease No. 635088-001 1-12-86 Lois Bagley, et al	Lois Bagley, et al 1/4 of 1/8	Exxon Corp.-All	None
			* Unleased Thomas Edgar Timberlake, III. 3/128	Thomas Edgar Timberlake, III. 3/128 of 1/8	Thomas Edgar Timberlake, III. All	None

TOTAL: 2 FEE TRACTS - 200.00 ACRES, .80290% of the UNIT AREA

GRAND TOTAL: 26 TRACTS COMPRISING 24,909.53 ACRES IN THE UNIT AREA

*The unleased interest of Thomas Edgar Timberlake, III., will be carried by Exxon.

EXHIBIT "B"
PRISOR UNIT AREA
SIERRA & DONA ANA COUNTIES, NEW MEXICO

Page 4 of 4

NO.	NO. OF ACRES	LEASE NO. & EXP. DATE OF LEASE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OR PRODUCTION PAYMENTS	WORKING INTEREST OWNERS & PERCENTAGE
(Continued)		Exxon Lease No. 635186-001 3-15-81 Lewis D. Cain, Jr., ux - 1/8 of 1/8 et al	Lewis D. Cain, Jr., et ux - 1/8 of 1/8 Bennie L. Cain, et Lewis D. Cain, Jr., ux - 1/8 of 1/8 et al	Exxon Corp.-All	None	Exxon Corp. - 100%
		Exxon Lease No. 635088-001 1-12-86 Lois Bagley, et al	Lois Bagley, et al 1/4 of 1/8	Exxon Corp.-All	None	Exxon Corp. - 100%
		* Unleased Thomas Edgar Timberlake, III. 3/128	Thomas Edgar Timberlake, III. 3/128 of 1/8	Thomas Edgar Timberlake, III. All	None	Thomas Edgar Timberlake, III.-100%

.00 ACRES, .80290% of the UNIT AREA

OMPRISING 24,909.53 ACRES IN THE UNIT AREA

Thomas Edgar Timberlake, III., will be carried by Exxon.

DAN NUTTER

Case 5798

Application of Exxon Corporation
for a unit agreement, Sierra
and Dona Ana Counties, New
Mexico.

Applicant, in the above-styled
cause, seeks approval for
The Prison Unit Area
comprising 24,910 acres,
more or less, of State,
Federal, and fee lands
in Townships 16 and 17
South, Ranges 1 East and
1 West, Sierra and Dona
Ana Counties, New Mexico.

DAN NUTTER

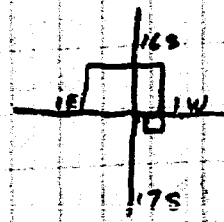
appl for hq:
Case 5798

Exxon Corp.
Prison Unit Area
24,909.53

72.0 State Fee

T 16 & 17 S
R 1 E & W 1 E

Sierra County
Dona Ana



Courtside Copied
521 N. 1st St. & 1st Ave
79901